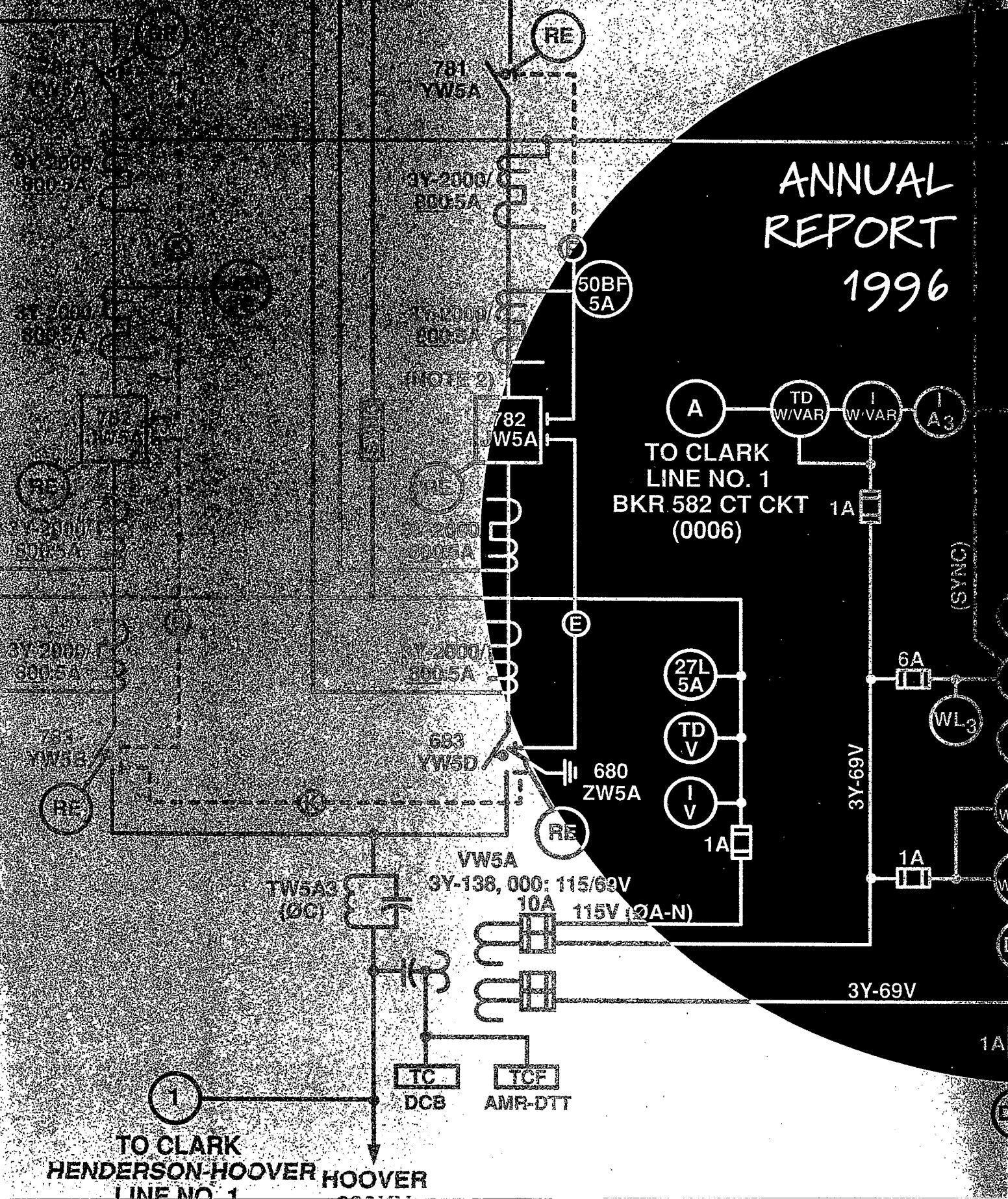


ANNUAL REPORT 1996



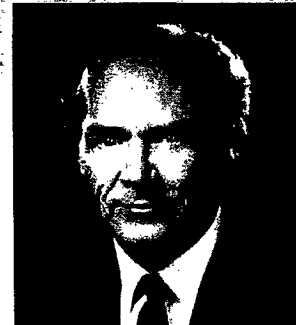
About our cover

Just as this single line drawing of a section of Henderson Substation in Henderson, Nev., serves as a "blueprint" to help system operators, maintenance staff and others understand the major components of the interconnected transmission system, so does our annual report help readers understand how we market and deliver reliable, cost-based hydroelectric power and provide related services.

About this report

Despite all the changes in the industry, within our own organization and across government, we know to succeed, we must remain committed to our customers. This report highlights that commitment. Additional detail about our power marketing program is available in the accompanying appendix to this report.

OVERHEAD GROUP ADMINISTRATORS LETTER



The Honorable Federico Peña
Secretary of Energy
Washington, D.C. 20585

Dear Mr. Secretary:

Western's FY 96 Annual Report highlights our efforts to transform this agency into a more business-like organization that is committed to its customers.

We sharpened our strategic plan to emphasize customer service, cultural change and leadership and developed nine new goals focusing on people, partnerships, resources, costs and industry change. These goals are directly related to our vision for Western.

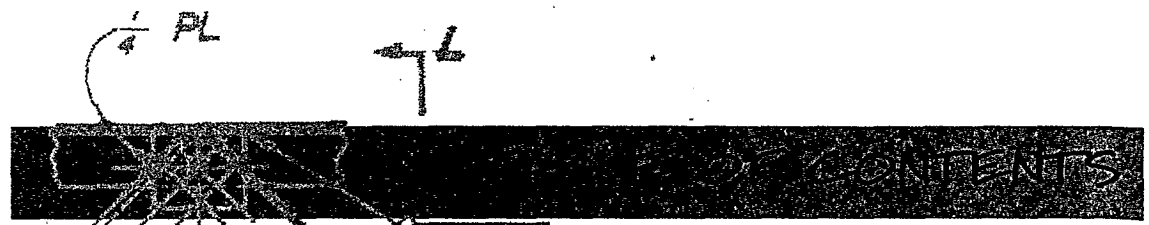
While we've made significant strides in increasing our efficiency and improving our service, we are not done implementing all the changes we've planned. We are in the midst of a significant downsizing in which we are reducing our staff by 25 percent. We are also cutting costs and estimate annual savings from our Transformation efforts will be \$25 million. Highlights of our operational and financial accomplishments this year are found on page 7.

By the end of FY 98, we will have finished implementing our Transformation process to reorganize, restructure and reengineer Western. This Transformation is critical for Western to meet the competitive challenges of today's electric utility industry. Changing our organizational culture is a major part of implementation.

As we become a more collaborative organization, we will continue our efforts to partner with our customers to provide the best in reliable, high-quality, low-cost electric power. We look forward to new relationships and stronger partnerships with our customers and suppliers. We're excited about the challenges of building a new organization—one that's designed for the utility industry of the future.

A handwritten signature in dark ink, appearing to read "J. M. Shafer".

J. M. Shafer
Administrator



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Our commitment

Marketing and transmitting clean, reliable, cost-based Federal hydropower across our 15-state service territory is a huge responsibility, particularly in light of the millions of homes and businesses that depend on Western for electric power every day. Western's mission to provide power to cities and towns, electric cooperatives, public utility and irrigation districts, Native American communities and state and Federal entities across the West is one we take seriously.

Our mission

We market and deliver reliable, cost-based hydroelectric power and related services.

But just doing our jobs isn't enough to succeed today or to survive tomorrow. That takes a sharp vision and commitment from each and every employee to do his or her part toward achieving that vision.

Our vision

- ◆ Remarkable service
- ◆ Superior products
- ◆ Delighted customers

Our performance agreement

Western will remain a viable, cohesive utility that serves customers effectively and efficiently. We intend to continue providing services our customers find valuable. We will be more businesslike, more bottom-line oriented and more competitive in ways that benefit our customers. We will continue to be accountable to our customers and we will remain accessible and responsive to individual customer needs.

Our customer service regions will continue to directly interact with power customers—without unnecessary red tape that could delay or dilute service. To each customer, we offer service stability; cost-based, competitive rates; superior reliability; and timely and effective attention to needs.

We will operate and maintain our transmission system to assure a safe, reliable network for delivering bulk power across the western United States. Through our membership in two regional reliability councils and several regional transmission associations, we will maintain leadership in our industry and work to improve power delivery services throughout the nation.

We will practice teamwork and embrace collaboration in addressing cross-cutting issues and programs. We will practice the skills of effective communication both within Western and among customers, suppliers and others with whom we interact. We will demonstrate our commitment to excellence by

ensuring our business practices and processes are continuously examined to ensure they add value to the customer. We will be open to changing the way we do business to reflect new realities and different priorities.

We've set our priorities

Western is committed to adapting to the rapidly changing environment facing the utility industry. After a year of evaluating our strengths and targeting areas for improvement, we spent Fiscal Year 1996 implementing our Transformation plan. As part of that work, the senior manager team evaluated our strategic goals and priorities and established new objectives to ensure we will be successful in the utility industry. This is only the beginning. We recognize we must continually reevaluate and readjust our business priorities to remain competitive within our industry. We are working to:

- ◆ be an organization of highly-skilled, highly-productive, customer-oriented employees who carry out our mission in concert with our desired culture, core competencies and leadership qualities.
- ◆ strengthen our partnerships with the U.S. Bureau of Reclamation, U.S. Army Corps of Engineers and the International Boundary and Water Commission to manage power delivery costs and to improve power system reliability and efficiency.
- ◆ strengthen partnership programs with our customers, constantly looking for opportunities to support both their and Western's success.
- ◆ participate in decision-making processes with natural resource agencies whose operating decisions significantly affect Federal power rates and repayment obligations.
- ◆ limit increases in annual operating expenses to keep our rates and the rates of our customers competitive in the markets we serve.
- ◆ continuously partner with our customers to secure alternative financing of Western's programs.
- ◆ be proactive in the shaping of the competitive utility industry, primarily acting as an advocate for power system reliability.
- ◆ enhance the productivity of our workforce to improve our service to our customers by continuously streamlining our work processes and seeking relief from burdensome regulations.
- ◆ implement Transformation recommendations to ensure the identified savings are realized and that service to our customers is optimized.

COMMITMENT TO OUR CUSTOMERS

As Western managers and employees examined what was needed to prepare us for the future, one priority became crystal clear—we needed to identify, understand and meet customer needs. To do that, we made a renewed effort to get out, listen to customers and invite them to address our employees. Here's a sampling of what just a few of them told us and what we're doing to heed their advice:

"Focus on the competition, on how to get better and how to meet customer needs. Don't focus internally if you want to succeed in the utility industry of tomorrow."

— Thaine Michie, general manager, Platte River Power Authority

We hired a benchmarking manager in 1996 and formed a team to help us track how we are doing compared to our competitors. The team is developing benchmarking measures and serving as a resource to managers who want to use benchmarking techniques as part of their efforts to streamline operations. Our performance measures for this year are reported on page 35.

"We've identified key success indicators in our major business areas and we think Western can use them, too: for billing, it's customer information and responsiveness; for energy services, it's customer service and support and communications; for distribution and transmission, it's reliability; and for generation and bulk power, it's cost."

— George Fraser, electric utility director, Roseville (Calif.) Electric Department

We had no power rate increases in FY 96 and decreased rates for two projects. We maintained a 98.2-percent system reliability rating across our 15-state service territory. We expect to maintain rate stability and system reliability in FY 97.

"Pick the best people and keep from meddling in their jobs. You must take down the hurdles in front of employees that prevent them from doing their jobs."

— Don Kimball, general manager, Arizona Electric Power Cooperative

We've redesigned a number of jobs and are filling them competitively to ensure we've got the best people doing the right work. We've trained our managers in barrier-busting techniques they can use to keep employees from getting bogged down. We've streamlined administrative and procurement procedures and continue to work on upgrading our financial management system to provide better business information.

"Western provides 60 percent of our resource. Any action by Western affects us. Maintaining cost increases in line with inflation isn't good enough. Western must do better."

— Leon Fexton, power resource financial manager, Utah Municipal Power Authority

While our rates are cost-based, we are working to keep them as low as possible consistent with sound business principles and provide service that meets customer needs. Our newly revised strategic plan clarifies our commitment to customers. Streamlining efforts are moving forward and we continue to monitor costs and look for ways to increase our efficiency and improve products and services for all customers.

"Look at the telecommunications industry for a map of what to expect in this era of deregulation. Great changes are unfolding at lightning speed. We are having difficulties in charting an exact course. The north star is moving, but we need to head in that general direction."

— Don Kimball, general manager, Arizona Electric Power Cooperative

We are actively engaged in industry restructuring discussions. Our administrator sits on the North American Electric Reliability Council's Board of Trustees and the Western Systems Coordinating Council and Electric Power Research Institute Boards of Directors. Western staff regularly participates in and lends its expertise to industry organizations including regional reliability councils, power pools and other utility groups.

"Labor must be part of the strategy for success. The industry is downsizing 20 to 30 percent. Protecting bad employees will lead to complete failure."

— Ken Mellor, partner, R. W. Beck and Associates

We continue to work with our labor unions to meet our goals of reshaping Western while providing for our employees. We are well into our Transformation and have developed a menu of opportunities for current employees who do not yet have positions in the new Western. We've revamped our performance appraisal system to include a more simplified two-tier rating coupled with 360-degree feedback on four core competencies. These tools help managers provide employees with the skills they need to do the jobs of tomorrow. Our employees remain committed to maintaining current skills and learning new ones to keep up with changing technologies and ways of doing business.

OPERATIONS & FINANCIAL HIGHLIGHTS

Resources

Number of powerplants	56
Operating capability—(kW 000)	10,594
Net generation—(kWh 000,000)	40,007
Purchase power—(kWh 000,000)	6,098

Transmission system

Transmission lines	
circuit miles	16,857
circuit km	27,123
Number of substations	258
Number of communication sites	658

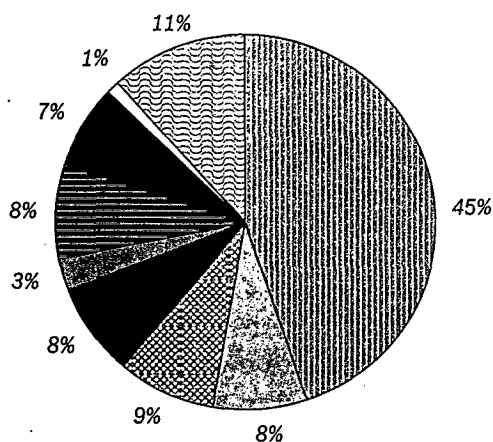
Marketing

Wholesale customers	644
Energy sales (kWh 000,000)	42,894

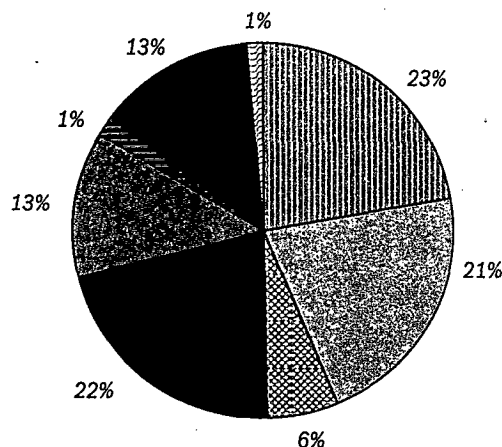
Financial (\$ 000)

Assets	4,218,608
Liabilities	290,326
Gross operating revenues	799,763
Operating expenses (including depreciation)	504,500
Net interest expense	193,673

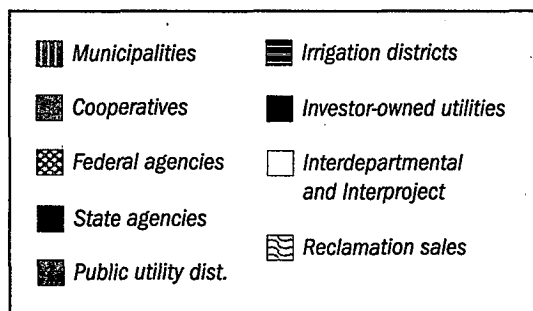
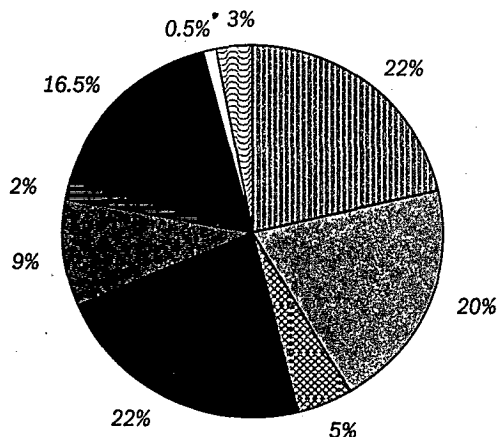
Customers



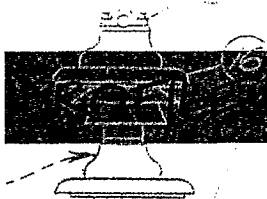
Revenues



Sales



(See Sales by Customer Category table on page 26 for more detail.)



Western Area Power Administration annually markets and transmits nearly 10,000 megawatts of power from 55 hydropower plants. We sell about 40 percent of regional hydroelectric generation. Western also markets the United States' 547 megawatt entitlement from the coal-fired Navajo Generating Station near Page, Ariz.

17. Western's service area covers 1.3 million square miles (3.38 million square kilometers) in 15 states. We sell power to 644 wholesale customers including 289 municipalities, 51 cooperatives, 18 public utility and 51 irrigation districts, 55 Federal and 52 state agencies, 46 investor-owned utilities (only two of which purchase firm power from Western), and 74 Reclamation customers. We also have two interdepartmental and six interproject customers. They, in turn, provide retail electric service to millions of consumers in these central and western states: Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas, Utah and Wyoming.

Western operates and maintains an extensive, integrated and complex high-voltage power transmission system to deliver power to our customers. Using this 16,857 circuit mile (27,123 km) Federal transmission system, Western markets and delivers reliable electric power to most of the western half of the United States.

Except for the Central Arizona Project's Navajo generation, power facilities are part of 11 rate-setting systems. These are made up of 14 multipurpose water resource projects and a transmission project. The systems include Western's transmission facilities and power generation facilities owned and operated by the U.S. Bureau of Reclamation, the U.S. Army Corps of Engineers and the International Boundary and Water Commission.

Western and the generation entities are separately managed and financed. Each project maintains a separate financial system and records. Each entity operates and maintains its portion of the multipurpose projects and allocates its operating expenses among the projects. Costs are allocated among individual project purposes. These purposes can include navigation, irrigation, flood control, power, fish and wildlife, recreation and municipal and industrial water supply.

Western's financial statements include only the costs assigned to power for repayment. We provide additional information on each of the 11 rate-setting systems in an Appendix to this report.

Power sales, transmission operations and engineering services for our system is accomplished by our employees at 47 duty stations located throughout our service area. These include our Corporate Services Office in Golden, Colo.,

and four customer service regional offices in Billings, Mont., Loveland, Colo., Phoenix, Ariz., and Folsom, Calif. Customer service is also supported by a Customer Service Center in Salt Lake City, Utah. System operations and maintenance are managed at offices in Bismarck, N.D., Fort Peck, Mont., Huron, S.D., Montrose, Colo., and Watertown, S.D.

Legislative authority

Congress established Western on Dec. 21, 1977, under Section 302 of the Department of Energy Organization Act. Under this statute, power marketing responsibilities and the transmission system assets previously managed by Reclamation were transferred to Western.

Financing methods

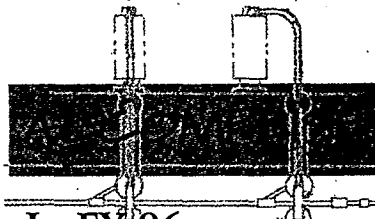
Our power marketing program includes three activities: operation and maintenance; purchase power and wheeling; and construction and rehabilitation. Each year, we request appropriations from Congress to finance expenses for most of our power systems including the Pick-Sloan Missouri Basin Program, Central Valley Project, Parker-Davis Project and the Pacific Northwest-Pacific Southwest Intertie Project.

In accordance with the Foreign Relations Authorization Act, we request a separate appropriation to operate and maintain Falcon and Amistad project facilities for the International Boundary and Water Commission. Our appropriation request also includes an annual contribution for the Utah Reclamation Mitigation and Conservation Account as specified in the Reclamation Projects Authorization and Adjustment Act of 1992. Existing legislation allows for the Colorado River Storage, Central Arizona, Seedska-dee, Dolores and Fort Peck projects to operate with power receipts through revolving funds.

We finance a significant amount of our purchase power and wheeling program through non-appropriated, alternative financing methods, such as bill crediting, net billing, reimbursements and non-appropriation transfers.

We finance operation of the Boulder Canyon Project by annual transfer of receipts from the Bureau of Reclamation. We also do work for other Federal and non-Federal organizations under authority of the Economy Act, the Contributed Funds Act and the Interior Department Appropriations Act of 1928.

7'-0" 7'-0" 6'-0"



In FY 96, we:

- ◆ marketed low-cost, reliable hydroelectric power to 644 power customers, by providing system operations and load dispatching, power billing and collection, power marketing, power resource planning, energy services, technology transfer, security and emergency management within 15 separate power systems.
- ◆ sold nearly 43 billion kilowatthours of energy—enough to serve nearly 4.8 million households for a year.
- ◆ operated and maintained 16,857 miles (27,123 kilometers) of high-voltage transmission lines, 258 substations and associated power system, control, communication and electrical facilities.
- ◆ generated \$800 million in gross operating revenue.
- ◆ repaid \$14 million of investment.
- ◆ began implementing Transformation plans developed to equip Western to operate in the changing utility industry and support Administration efforts to streamline government. When the new Western is fully operational in 1998 with 25 percent fewer employees, estimated annual savings will amount to \$25 million.
- ◆ updated our strategic plan to focus on meeting customers' needs. Western regional and functional offices are developing nested plans that align with our agency goals and vision.
- ◆ adopted a policy to enhance support for renewable energy resources. Our commitment includes providing technical and marketing assistance to facilitate renewable energy use among our customers, outreach to renewable energy developers and purchasing cost-effective renewable resources in our purchase power program.
- ◆ successfully completed the Energy Planning and Management Program which required most Western customers to prepare integrated resource plans and establishes a framework for extending firm power resource commitments. One benefit of the program is the creation of project-specific resource pools that are being used to extend Federal power allocations to new preference customers, including Native American tribes.
- ◆ prepared to review IRPs and small customer plans from long-term firm power customers and provided IRP planning assistance to customers. Western's integrated resource planning regulations became effective on Nov. 20, 1995. In FY 97, Western expects to receive a total of 179 IRPs from indi-

vidual customers and IRP cooperatives and 125 small customer plans. These reports are from 699 customers and customer members.

They include:

<u>Region</u>	<u>Individual IRPs</u>	<u>IRP cooperatives</u>	<u>Small customer plans</u>
DSW	33	7 representing 20 customers/members	16
RM	16	11 representing 104 customers/members	25
SN	4	6 representing 17 customers/members	39
UGP	71	11 representing 192 customers/members	41
CRSP	10	10 representing 77 customers/members	4

System Data

	<u>FY 1996</u>	<u>FY 1995</u>	<u>Percent Change</u>
Resources			
Number of powerplants ¹	56	56	0.0
Operating capability (kW 000)	10,594	10,581	0.0
Net generation (kWh 000,000)	40,007	32,910	20.9
Purchased power (kWh 000,000)	6,098	7,734	-21.2
Transmission System			
Transmission line-Circuit miles	16,857	16,760	0.6
Transmission line-Kilometers	27,123	26,967	0.6
Number of substations	258	257	0.4
Substation transformer capacity - kVa	26,369,098	21,456,788	22.9
Customers			
Number of wholesale customers	644	638	0.9
Number of firm customers	516	524	-1.5
Number of nonfirm customers	158	121	30.6
Number of project use customers	74	74	0.0
Energy sales			
Energy sales (kWh 000)	42,893,883	38,159,988	12.4
Firm sales (kWh 000)	33,375,592	33,592,589	-0.7
Nonfirm sales (kWh 000)	8,205,669	3,272,833	150.7
Project use (kWh 000)	1,279,485	1,235,111	3.6
Repayment			
Annual repayment (\$ 000,000)	14	44	-68.2
Total investment repaid (\$ 000,000)	2,277	2,264	0.6
Percent of investment repaid to date			
Federal	34.88	36.52	-4.5
Non-Federal	15.23	13.65	11.6
Other financial data			
Total Federal assets (\$ 000)	4,218,608	4,250,505	-0.8
Total Federal investments (\$ 000)	3,928,282	3,946,396	-0.5
Total liabilities (\$ 000)	290,326	304,109	-4.5
Gross operating revenue (\$ 000)	799,763	797,175	0.3
Total operating revenues after transfers (\$ 000)	712,278	713,581	-0.2
Total operating expenses (\$ 000)	504,500	547,303	-7.8
Net interest expense (\$ 000)	193,673	144,938	33.6

¹ 55 hydro, 1 thermal

Communications Buildings Summary

Project	Number of Buildings ¹	Number of Communications Sites		Fee Area		Withdrawal Area ²		Easement Area	
		VHF/UHF	Microwave	Acres	Hectares	Acres	Hectares	Acres	Hectares
Central Arizona (Navajo)	1	-	-	-	-	-	-	-	-
Central Valley	27	16	7	-	-	-	-	-	-
Loveland Area Projects	190	78	70	-	-	-	-	-	-
Pacific NW-SW Intertie	9	-	-	-	-	-	-	-	-
Parker-Davis	66	55	42	-	-	-	-	291	118
Pick-Sloan Missouri Basin Eastern Division	230	143	140	228	92	2	1	420	170
Salt Lake City Area Integrated	77	42	65	2	1	-	-	114	46
Western total	600	334	324	230	93	2	1	825	334

¹ Only includes communications buildings that are classified as real property.

² Areas that have been set aside by the Bureau of Land Management for Western transmission and substation use.

Substations Summary

Project	Number of Substations	Number of Buildings	Transformers		Fee Area		Withdrawal Area ¹		Easement Area	
			Number	Capacity (kVa)	Acres	Hectares	Acres	Hectares	Acres	Hectares
Boulder Canyon	3		9	1,798,999	-	-	-	-	3	1
Central Arizona (Navajo)	1		5	228,000	-	-	-	-	-	-
Central Valley	15	21	16	2,162,216	271	110	-	-	1	0
Loveland Area	80	1	73	2,208,308	11	4	-	-	6	3
Pacific NW-SW Intertie	3	12	5	5,131,167	286	116	4,243	1,718	117	47
Parker-Davis	32	37	38	1,905,874	277	112	115	47	114	46
Pick-Sloan Missouri Basin Eastern Division	99	225	125	8,006,639	2,022	819	21	8	248	101
Salt Lake City Area Integrated	25	33	38	4,927,895	527	213	129	52	513	406
Western total	258	329	309	26,369,098	3,394	1,374	4,507	1,825	1,002	604

¹ Areas that have been set aside by the Bureau of Land Management for Western transmission and substation use.

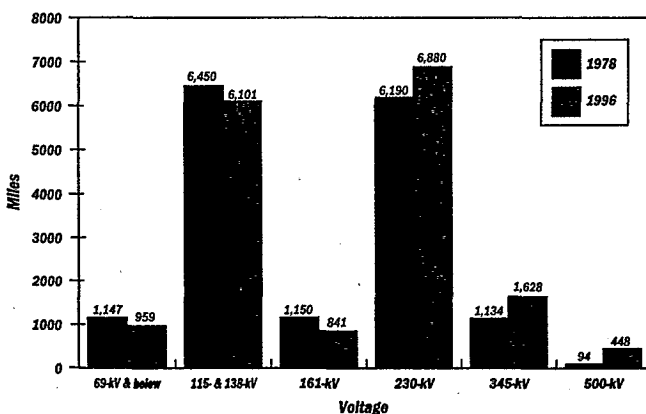
Transmission Line Summary

(In Circuit Miles)

State	500-kV		345-kV		230-kV		161-kV	
	Miles	Kilometers	Miles	Kilometers	Miles	Kilometers	Miles	Kilometers
Arizona	-	-	703.97	1,132.69	805.70	1,296.37	143.01	230.10
California	448.27	721.27	-	-	838.13	1,348.55	204.19	328.54
Colorado	-	-	392.98	632.30	857.00	1,378.91	-	-
Iowa	-	-	20.33	32.71	164.52	264.71	192.23	309.30
Minnesota	-	-	-	-	247.33	397.95	-	-
Missouri	-	-	-	-	-	-	17.95	28.88
Montana	-	-	-	-	559.95	900.96	283.28	445.80
Nebraska	-	-	136.99	220.42	106.06	170.65	-	-
Nevada	-	-	11.40	18.34	147.43	237.21	-	-
New Mexico	-	-	44.00	70.80	67.39	108.43	-	-
North Dakota	-	-	40.74	65.55	983.30	1,582.13	-	-
South Dakota	-	-	260.33	418.87	1,766.12	2,841.69	-	-
Utah	-	-	17.60	28.32	-	-	-	-
Wyoming	-	-	-	-	337.20	542.55	-	-
Total	448.27	721.27	1,628.34	2,620.00	6,880.13	11,070.11	840.66	1,352.62

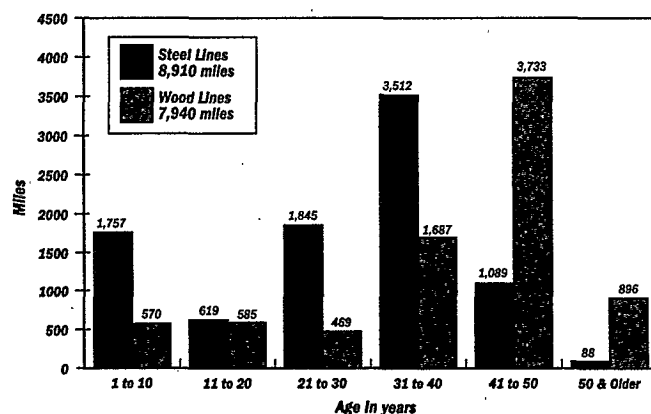
State	138-kV		115-kV		69-kV & Below		Total Western	
	Miles	Kilometers	Miles	Kilometers	Miles	Kilometers	Miles	Kilometers
Arizona	-	-	373.60	601.12	111.71	179.74	2,137.99	3,440.03
California	-	-	7.37	11.86	48.26	77.65	1,546.22	2,487.87
Colorado	212.19	341.41	764.78	1,230.53	93.38	150.25	2,320.33	3,733.41
Iowa	-	-	-	-	-	-	377.08	606.72
Minnesota	-	-	14.99	24.12	-	-	262.32	422.07
Missouri	-	-	-	-	-	-	17.95	28.88
Montana	-	-	529.40	851.80	73.86	118.84	1,446.49	2,327.40
Nebraska	-	-	479.48	771.48	75.26	121.09	797.79	1,283.64
Nevada	-	-	-	-	3.40	5.47	162.23	261.03
New Mexico	-	-	-	-	2.70	4.34	114.09	183.57
North Dakota	-	-	886.27	1,426.01	145.86	234.69	2,056.17	3,308.38
South Dakota	-	-	1,343.15	2,161.13	7.06	11.36	3,376.66	5,433.05
Utah	117.40	188.90	-	-	0.32	0.51	135.32	217.73
Wyoming	-	-	1,371.71	2,207.08	397.55	639.66	2,106.46	3,389.29
Total	329.59	530.31	5,770.75	9,285.14	959.36	1,543.60	16,857.10	27,123.04

Transmission Lines In Service 1978 to 1996



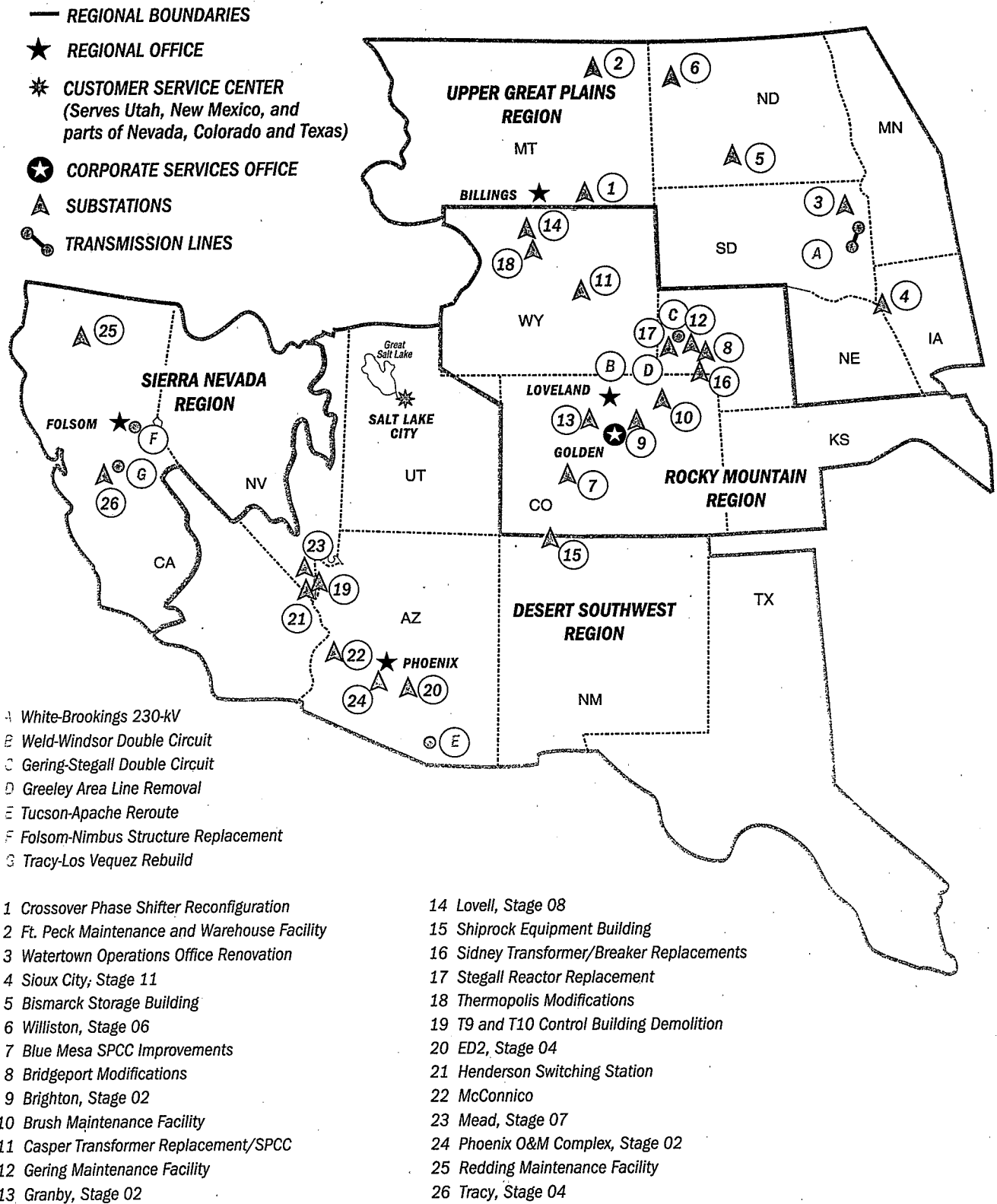
Total miles of lines
1978 - 16,165 miles
1996 - 16,857 miles

Transmission Line Age as of 1996



Service life:
45 to 55 years for wood pole lines; 100 years for structures and
50 years for conductor/insulator assemblies on steel lines.
Note: includes only wood and steel lines

Construction in progress



Powerplants



Existing Powerplants as of September 30, 1996

Plant Name	Operating Agency	River	Initial In-service Date	Existing Number of Units	Max. Operating Capability ¹ FY 1996 kW(000)	Operating Capability kW (000) July 1, 1996	Actual Operating Capability kW (000) July 1, 1995	Net Generation kWh (million) ² FY 1996	FY 1995
Boulder Canyon									
Arizona, Nevada									
Hoover	BuRec	Colorado	Sep-36	19	2,074 ³	1,729 ³	2,059	4,738	3,948
Boulder Canyon Total				19	2,074	1,729	2,059	4,738	3,948
Central Arizona									
Arizona									
Navajo	SRP ⁴	n/a	May-74	3	547 ⁵	401	553	3,514	4,116
Central Arizona Total				3	547	401	553	3,514	4,116
Central Valley									
California									
J.F. Carr	BuRec	Clear Creek Tun.	May-63	2	154	147	147	716	451
Folsom	BuRec	American	May-55	3	215	202	208	573	830
Keswick	BuRec	Sacramento	Oct-49	3	105	90	90	464	469
New Melones	BuRec	Stanislaus	Jun-79	2	383	383	364	595	298
Nimbus	BuRec	American	May-55	2	14	9	14	78	68
O'Neill ⁶	BuRec	San Luis Creek	Nov-67	6	29	28	28	2	0
Shasta	BuRec	Sacramento	Jun-44	7	578	572	572	1,457	1,996
Spring Creek	BuRec	Spring Creek Tun.	Jan-64	2	200	190	190	681	713
Trinity	BuRec	Trinity	Feb-64	3	140 ⁷	135	137	545	572
Gianelli ⁶	BuRec	San Luis Creek	Mar-68	8	202 ⁸	124	107	187	125
Central Valley Total				38	2,021	1,880	1,857	5,298	5,522
Falcon-Amistad									
Texas									
Amistad	IBWC	Rio Grande	Jun-83	2	66 ⁹	22	66	82	109
Falcon	IBWC	Rio Grande	Oct-54	3	32 ⁹	16	32	39	72
Falcon-Amistad Total				5	98	38	98	121	181
Loveland Area Projects									
Colorado									
Big Thompson	BuRec	Trans. Mtn. Div.	Apr-59	1	5	5	5	12	14
Estes	BuRec	Trans. Mtn. Div.	Sep-50	3	51	51	51	91	99
Flatiron ⁶	BuRec	Trans. Mtn. Div.	Jan-54	3 ¹⁰	95	86	86	166	253
Green Mountain	BuRec	Blue	May-43	2	30	30	26	97	56
Mary's Lake	BuRec	Trans. Mtn. Div.	May-51	1	8	6	8	34	42
Mount Elbert ⁶	BuRec	Arkansas	Oct-81	2	206	206	206	178	161
Pole Hill	BuRec	Trans. Mtn. Div.	Jan-54	1	33	33	33	120	206
Montana									
Yellowtail ¹¹	BuRec	Big Horn	Aug-66	2	144	144	124	570	450
Wyoming									
Alcova	BuRec	North Platte	Jul-55	2	40	38	40	134	61
Boysen	BuRec	Wind	Aug-52	2	18	18	16	86	64
Buffalo Bill	BuRec	Shoshone	May-95	3	18	18	17	96	53
Fremont Canyon	BuRec	North Platte	Dec-60	2	66	66	56	296	137
Glendo	BuRec	North Platte	Dec-58	2	38	36	34	103	77
Guernsey	BuRec	North Platte	Jul-27	2	7	7	8	22	18
Heart Mountain	BuRec	Shoshone	Dec-48	1	5	5	3	16	10
Kortes	BuRec	North Platte	Jun-50	3	39	39	39	176	121
Pilot Butte	BuRec	Wind	Jan-25	2	2	2	2	3	3
Seminole	BuRec	North Platte	Aug-39	3	51	51	45	194	119
Shoshone	BuRec	Shoshone	May-95	1	3	3	3	22	13
Spirit Mountain	BuRec	Shoshone	May-95	1	5	5	4	12	4
Loveland Area Projects Total				39	864	849	806	2,428	1,960
Parker-Davis									
Arizona									
Davis	BuRec	Colorado	Jan-51	5	269	246	270	1,224	1,030
California									
Parker	BuRec	Colorado	Dec-42	4	69 ⁹	50	55	470	448
Parker-Davis Total				9	338	296	325	1,694	1,477

	Operating		Initial	Existing	Max. Operating	Actual		Net Generation kWh (million) ²	
Plant Name	Agency	River	In-service Date	Number of Units	Capability ¹ FY 1996 kW(000)	Operating July 1, 1996	Capability kW (000) July 1, 1995	FY 1996	FY 1995
Pick-Sloan Eastern Division									
Montana									
Canyon Ferry	BuRec	Missouri	Dec-53	3	60	60	58	453	379
Fort Peck	Corps	Missouri	Jul-43	5	218	218	211	1,521	928
Yellowtail ¹¹	BuRec	Big Horn	Aug-66	2	144	144	124	570	450
North Dakota									
Garrison	Corps	Missouri	Jan-56	5	546	511	490	3,350	2,020
South Dakota									
Big Bend	Corps	Missouri	Oct-64	8	538	443	386	1,412	861
Fort Randall	Corps	Missouri	Mar-54	8	387	375	375	2,387	1,728
Gavins Point	Corps	Missouri	Sep-56	3	122	111	111	864	744
Oahe	Corps	Missouri	Apr-62	7	786	765	762	4,154	2,464
Pick-Sloan Eastern Division Total				41	2,801	2,598	2,517	14,710	9,573
Provo River									
Utah									
Deer Creek	PWUA	Provo	Feb-58	2	5	5	5	28	20
Provo River Total				2	5	5	5	28	20
Salt Lake City Integrated Projects									
Arizona									
Glen Canyon	BuRec	Colorado	Sep-64	8	1,356	1,288	1,155	5,506	4,416
Colorado									
Blue Mesa	BuRec	Gunnison	Sep-67	2	96	86	94	366	352
Crystal	BuRec	Gunnison	Sep-78	1	28	28	32	216	163
Lower Molina	BuRec	Pipeline	Dec-62	1	5	5	5	18	19
McPhee	BuRec	Dolores	Jun-93	1	1	1	1	0	0
Morrow Point	BuRec	Gunnison	Dec-70	2	156	156	148	467	517
Towaoc	BuRec	Canal	Jun-93	1	11	11	11	20	13
Upper Molina	BuRec	Pipeline	Dec-62	1	9	9	9	30	31
New Mexico									
Elephant Butte	BuRec	Rio Grande	Nov-40	3	28	28	28	97	145
Utah									
Flaming Gorge	BuRec	Green	Nov-63	3	152	152	135	667	391
Wyoming									
Fontenelle	BuRec	Green	May-68	1	13	10	12	71	56
Salt Lake City Integrated Projects Total				24	1,855	1,774	1,630	7,459	6,103
Washoe									
California									
Stampede	BuRec	Little Truckee	Dec-86	1	3	3	3	18	10
Washoe Total				1	3	3	3	18	10
Grand Total				181	10,594	9,573	9,853	40,007	32,910

¹ Maximum operating capability is the maximum generating capability of the units at unity power factor without exceeding the specified heat rise on each unit and independent of water constraints.

² Net generation is gross plant generation less plant use. These amounts have not been reduced by other priorities such as project pumping energy.

³ Includes 4.8 MW reserved for plant use. Two units were out of service for maintenance when the 1996 capability rating was determined.

⁴ Salt River Project

⁵ United States' share (24.3 percent) of 2,250 MW plant capability.

⁶ Pump/generating plant.

⁷ Includes 0.35 MW at Lewiston.

⁸ United States' share of 424 MW capability.

⁹ United States' share (50 percent) of plant capability.

¹⁰ Only unit 3 has pump/generation capability.

¹¹ Generation from units 1 and 2 is marketed by the Rocky Mountain Region, and from units 3 and 4 by the Upper Great Plains Region. For this table, one-half of the total capability and output is shown under each of these two regions.

Energy Resource & Disposition

	In million kWh			In million kWh	
	FY 1996	FY 1995		FY 1996	FY 1995
Energy resource			Energy Disposition		
Net generation ¹	39,818	32,788	Sales of electric energy		
Interchange			Western	41,629	36,864
Received	507	1,118	Project Use (Reclamation)	1,250	1,267
Delivered	1,096	1,244	Total sales of electric energy	42,878	38,131
Net	(589)	(126)	Other		
Purchases			Interarea/interproject	25	23
NonWestern	6,088	7,721	Other deliveries	230	134
Western	9	13	Total other	255	157
Total purchases	6,097	7,734	Total energy delivered ²	43,133	38,288
Total energy resources	45,326	40,396	System and contractual losses	2,192	2,118
			Total energy disposition	45,326	40,396

¹ Reduced by Gianelli and O'Neill generation (189 kWh) which is offset against Project Use sales.

² Includes LAP pumping power not included in sales and revenue tables and unit regulation losses for Boulder Canyon Project.

Capability and Net Generation

Rate setting system	FY 1996 Maximum operating capability kW (000)	July 1, 1996 Actual operating capability kW (000)	July 1, 1995 Actual operating capability kW (000)	FY 1996 Net generation kWh (million)	FY 1995 Net generation kWh (million)
Boulder Canyon	2,074	1,729	2,059	4,738	3,948
Central Arizona Project (Navajo)	547	401	553	3,514	4,116
Central Valley	2,021	1,880	1,857	5,109 ¹	5,397 ¹
Falcon-Amistad	98	38	98	121	181
Loveland Area Projects	840	849	806	2,428	1,960
Parker-Davis	338	296	325	1,694	1,477
Pick-Sloan Missouri Basin Program (Eastern Division)	2,801	2,598	2,517	14,710	9,573
Provo	5	5	5	28	20
Salt Lake City Area Integrated Projects	1,855	1,774	1,630	7,459	6,103
Washoe	3	3	3	18	10
Total	10,581	9,573	9,853	39,818	32,785

¹ Reduced by Gianelli and O'Neill generation (189 kWh) which is offset against Project Use sales.

Status of Repayment as of September 30, 1996

(dollars in millions)

	Cumulative 1995	Adjustments	Annual 1996	Cumulative 1996
Revenue:				
Gross Operating Revenue	12,814	1	800	13,615
Income transfers (net)	(249)	3	(87)	(334)
Total Operating Revenue	12,566	4	712	13,282
Expenses:				
O & M and other	4,792	16	250	5,058
Purchase power and other	3,382	(13)	159	3,527
Interest				
Federally financed	2,209	(2)	180	2,388
Non-Federally financed	83	1	14	98
Total Interest	2,292	0	194	2,485
Total Expense	10,466	2	603	11,071
(Deficit)/Surplus revenue	(181)	0	108	(73)
Investment:				
Federally financed power	4,620	13	144	4,777
Non-Federally financed power	194	0	0	194
Nonpower	1,507	(43)	204	1,668
Total Investment	6,320	(30)	348	6,639
Investment repaid:				
Federally financed power	2,205	0	9	2,215
Non-Federally financed power	26	(1)	4	30
Nonpower	32	0	1	33
Total Investment repaid	2,264	(1)	14	2,277
Investment unpaid:				
Federally financed power	2,414	13	134	2,562
Non-Federally financed power	167	1	(4)	165
Nonpower	1,475	(43)	203	1,635
Total Investment unpaid	4,056	(29)	334	4,362
Fund Balances:				
Colorado River Development	14	2	(13)	3
Working capital	2	0	1	3
Percent of Investment repaid to date:				
Federal	36.52%			34.88%
Non-Federal	13.40%			15.46%

Rate Actions Summary

Rate order no.	Project	Type of rate action	Date of notice of public participation	Rate schedule designation	Effective date of rate (First day of first full billing period)	Annual incremental \$(000)	Notes	Date submitted to FERC	Date of FERC confirmation
WAPA-63	SLIP	Increase	4/22/94	SLIP-F5	12/2/94	13,100	Power	10/26/94	4/1/96
WAPA-65	Provo	Neutral	7/13/94	N/A	2/17/95	None	Power	2/28/95	8/15/95
WAPA-67	Washoe	Neutral	6/6/95	SNF-4	10/2/95	None	Power	9/30/95	Pending
WAPA-68	Parker-Davis	Decrease	3/22/95	PD-5	10/2/95	(\$6,222)	Power	9/30/95	4/19/96
		Increase	3/22/95	PD-FT5	10/2/95	\$1,791	Transmission	9/30/95	4/19/96
		Increase	3/22/95	PD-NFT5	10/2/95	\$96	Nonfirm transmission	9/30/95	4/19/96
		Increase	3/22/95	PD-FT5	10/2/95	\$200	Transmission	9/30/95	4/19/96
WAPA-70	Boulder Canyon	Decrease	5/9/95	BCP-F5	11/2/95	(\$12,593)	Power	11/1/95	4/19/96
WAPA-71	Intertie	Decrease	5/18/95	INT-FT2	2/2/96	(\$4,720)	Transmission	1/31/96	3/14/96
		Increase	5/18/95	INT-NFT2	2/2/96	324	Nonfirm transmission	1/31/96	3/14/96
WAPA-72	CVP	Decrease	7/11/95	CV-F8	10/2/95	(\$92,564)	Power	9/20/95	3/14/96

Marketing Plan Summary

Project	Expiration date
Boulder Canyon	September 30, 2017
Central Valley	December 31, 2004
Falcon-Amistad	June 8, 2033
Loveland Area Projects	September 30, 2024
Parker-Davis	September 30, 2008
Pick-Sloan Missouri Basin Program (Eastern Division)	December 31, 2020
Provo	September 30, 2008
Salt Lake City Area Integrated Projects	September 30, 2004
Washoe	September 30, 2000

Summary of Current Wholesale Rate Schedule Provisions

Project	Rate schedule designation	Capacity charge \$/kW of billing demand	Monthly Rate		Effective date	Annual composite rate
			Energy charge not in excess of delivery obligations			
Boulder Canyon Project	BCP-F5	0.93 ¹	6.12 mills/kWh. ¹ A Lower Colorado River Basin Development Fund Charge (LCRBDF) of 4.5 mills/kWh applies to purchasers in Arizona, and 2.5 mills/kWh to purchasers in California and Nevada		11/1/95	11.79 mills/kwh (w/o LCRBDF)
Central Valley Project	CV-F8	4.03	14.83 mills/kWh Tier 25.90 mills/kWh applies to all energy sales at 70% and higher monthly load factor		10/1/95	23.35mills/kwh
Loveland Area Projects	L-F4 (2nd Step)	2.85	10.85 mills/kWh		10/2/94	21.70 mills/kWh
Parker-Davis Project	PD-F5	1.92	1.95 mills/kWh		10/1/95	6.33 mills/kWh
Pick-Sloan Missouri Basin Program (Eastern Division)	P-SED-F6	3.20	8.32 mills/kWh for all energy 3.38 mills/kWh for all energy above 60% load factor		10/1/94	14.23 mills/kWh
Salt Lake City Area Integrated Projects	SLIP-F5	3.83	8.9 mills/kWh		12/2/94	20.17 mills/kWh
Washoe Project	SNF-4		Floor rate: 19.26 mills/kWh Ceiling rate: 80.44 mills/kWh		10/2/94	

¹ The capacity and energy charge are only shown for comparison. Firm power customer costs are based on their proportionate share of capacity and energy charges derived from the annual revenue requirement. The forecast capacity and energy rates and the contractor's monthly charges are calculated pursuant to the rate schedule.

Power Sales by Project ¹

Project	FY 1996			FY 1995		
	Number of customers	Energy sales		Number of customers	Energy sales	
		kWh (000)	\$ (000)		kWh (000)	\$ (000)
Boulder Canyon	15	4,748,412	45,161	15	4,069,443	50,447
Central Arizona (Navajo) ³	2	3,513,621	82,069	2	4,116,219	87,602
Central Valley	119	8,459,533	174,043	120	8,938,716	228,088 ⁴
Falcon-Amistad	2	120,153	3,220	2	182,715	3,331
Loveland Area Projects	41	2,338,820	47,406	40	2,190,479	46,426 ⁵
Parker-Davis	43	1,455,881	11,207	41	1,263,291	14,271
Pick-Sloan Missouri Basin						
Program - Eastern Division	309	15,051,394	216,912	303	10,705,668	162,529
Provo River	2	27,670	279	2	17,905	197
Salt Lake City Area Integrated						
Projects	148	7,160,008	125,595	147	6,665,320	120,902
Washoe	1	18,390	187	1	10,231	101 ⁶
Total Western ²	644	42,893,883	706,081	638	38,159,987	713,896

¹ Includes firm, nonfirm, project use, interdepartmental and interproject customers and energy sales to them. See the table on page 30 for details on firm and nonfirm sales. Customer totals have been adjusted to eliminate duplicate counting for purchases from more than one project.

² Customers include those purchasing both firm and nonfirm power.

³ On June 1, 1994 Salt River Project began acting as the scheduling and marketing agent for the CAP portion of the Navajo Generating Station (547 MW). Western retains marketing and repayment responsibility and SRP pays Western monthly fixed and variable costs to meet repayment requirements.

⁴ Includes \$19 million in Revenue Adjustment Clause charges that were not included in Western's FY95 Financial Statements.

⁵ Includes \$1.5 million of support energy revenue and a \$10,000 audit adjustment for undistributed LAP revenue. Support energy revenue is not included in the financial statements because it is a pass-through charge.

⁶ Includes a \$52,000 audit adjustment to reclassify revenues inadvertently assessed to the wrong project.

Sales by Customer Category

Category	FY 1996			FY 1995		
	Number of customers	Energy sales		Number of customers	Energy sales	
		kWh (000)	\$		kWh (000)	\$
Municipal	289	9,269,716	158,239,273	296	9,007,954	173,266,147
Cooperative	51	8,720,721	150,704,156	52	7,850,605	139,031,957
Federal agency	55	2,072,445	42,263,549	59	1,989,905	51,440,068
State agency	52	9,693,114	152,245,156	62	9,625,294	163,519,122
Public utility district	18	4,059,748	88,232,321	19	3,831,813	100,820,697
Irrigation district	51	680,530	9,900,895	57	696,184	12,684,733
Investor-owned ¹	46	7,084,987	94,295,093	44	3,863,667	63,018,892
Subtotal	562	41,581,261	695,880,443	553	36,865,422	703,781,616
Project Use (Reclamation)	74	1,255,011	9,683,023	74	1,245,859	9,718,876
Interdepartmental	2	4,128	0	4	8,196	0
Total Western	638	42,840,400	705,563,466	633	38,119,477	713,500,491
Interproject ²	6	53,483	517,874	5	40,511	395,375
	644	42,893,883	706,081,340	638	38,159,988	713,895,866

¹ Western has two long-term firm investor-owned power customers. Southern California Edison has an entitlement to Boulder Canyon Project power. Western sells CVP firm power in excess of preference customer requirements through an energy banking arrangement (EA2) with Pacific Gas and Electric Company, and later, as needed, may repurchase this energy at discounted rates.

² Interproject sales are sales among the various projects. This income appears in the Other Income line of Western's Financial Statements.

Top 25 Customers in Energy Sales¹

Rank	Customer	(kWh 000)	Percent of total sales
1	Salt River Project	4,228,629	9.86%
2	Tri-State Generation & Transmission Assn., Inc.	2,377,275	5.54%
3	Minnesota Power	2,152,696	5.02%
4	Sacramento Municipal Utility District	2,085,130	4.86%
5	Colorado River Commission	1,458,729	3.40%
6	Metropolitan Water District of Southern Calif.	1,384,184	3.23%
7	Arizona Power Authority	1,006,417	2.35%
8	Pacific Gas & Electric	932,848	2.18%
9	Nebraska Public Power District	766,794	1.79%
10	Platte River Power Authority	731,769	1.71%
11	East River Power Coop.	728,990	1.70%
12	Los Angeles Dept. of Water and Power	708,707	1.65%
13	Associated Electric	704,185	1.64%
14	Santa Clara, Calif.	650,089	1.52%
15	Plains Elec. Generation & Transmission Assn.	647,035	1.51%
16	Palo Alto, Calif.	591,345	1.38%
17	Cooperative Power Assn.	541,722	1.26%
18	Dairyland Power Coop.	529,564	1.23%
19	Colorado Springs, Colo.	497,875	1.16%
20	Omaha Public Power Dist.	470,149	1.10%
21	Redding, Calif.	432,648	1.01%
22	Wisconsin Power and Light	431,000	1.01%
23	Minnkota Power Coop.	408,563	0.95%
24	Central Montana Electric Power Coop.	405,457	0.95%
25	IES Utilities	401,479	0.94%
Total		25,273,279	58.94%

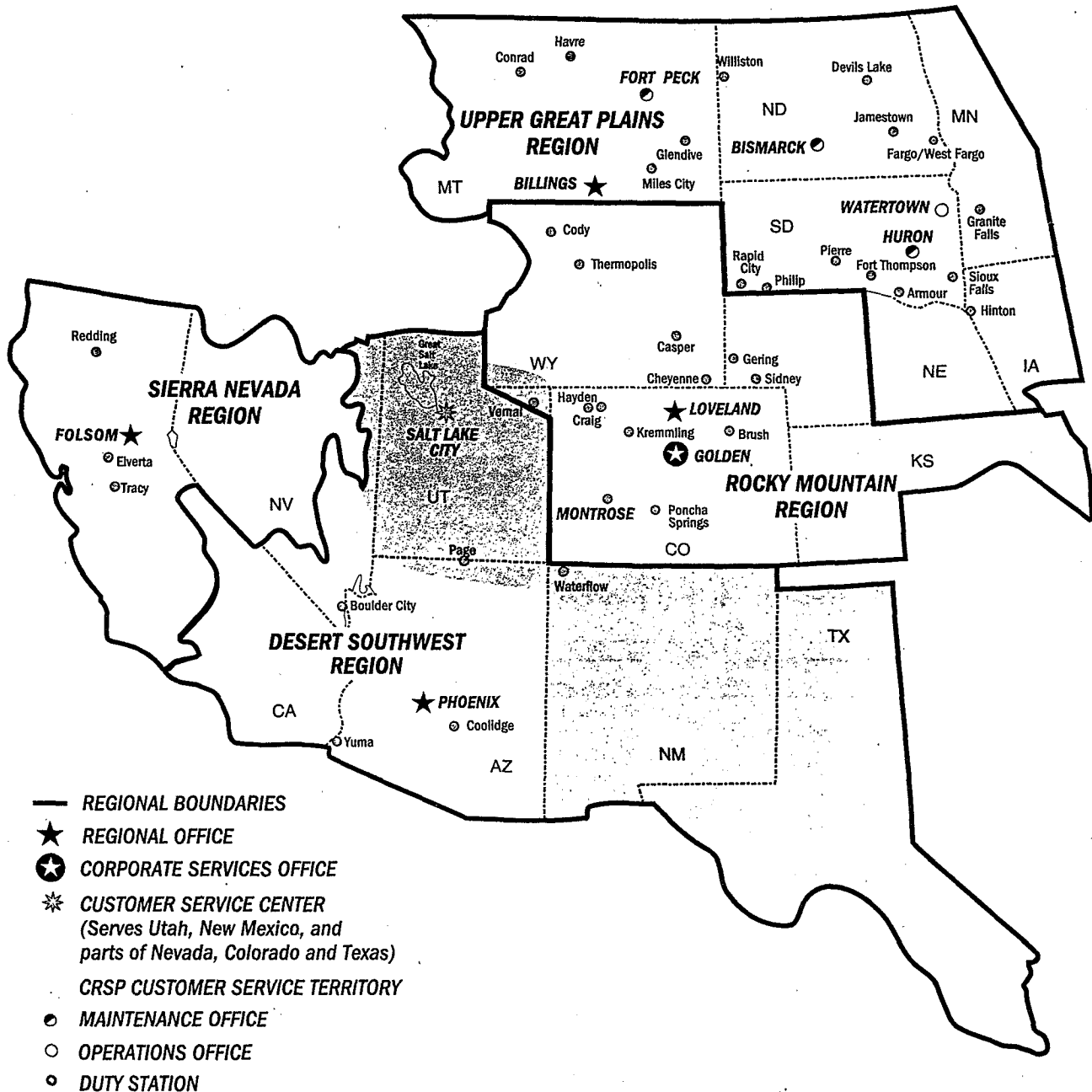
¹ Includes both firm and nonfirm sales.

Top 25 Customers by Power Revenues¹

Rank	Customer	\$	Percent of total revenues
1	Salt River Project	91,436,066	12.95%
2	Sacramento Municipal Utility District	49,696,219	7.04%
3	Tri-State Generation & Transmission Association, Inc.	46,924,307	6.65%
4	Minnesota Power	24,780,373	3.51%
5	Nebraska Public Power District	17,467,556	2.47%
6	Pacific Gas & Electric	16,224,056	2.30%
7	Santa Clara, Calif.	13,885,880	1.97%
8	Colorado River Commission	13,477,091	1.91%
9	Platte River Power Authority	13,475,935	1.91%
10	Palo Alto, Calif.	13,425,010	1.90%
11	Plains Elec. Generation & Transmission Assn.	12,685,636	1.80%
12	Metropolitan Water District of Southern Calif.	9,961,671	1.41%
13	Redding, Calif.	9,938,516	1.41%
14	East River Power Coop.	9,732,552	1.38%
15	Associated Electric	9,375,502	1.33%
16	Colorado Springs, Colo.	9,124,199	1.29%
17	Los Angeles Dept. of Water and Power	9,074,059	1.29%
18	Arizona Power Authority	8,649,130	1.23%
19	Dairyland Power Coop.	7,643,775	1.08%
20	Cooperative Power Assn.	7,508,973	1.06%
21	Basin Electric Power Cooperative	7,373,292	1.04%
22	Roseville, Calif.	7,292,955	1.03%
23	Stanford Linear Accelerator, DOE	7,245,650	1.03%
24	Utah Municipal Power Agency	6,608,212	0.94%
25	Omaha Public Power District	6,427,000	0.91%
Total		\$ 429,433,615	60.83%

¹ Includes both firm and nonfirm sales.

Customer Service Territories



Firm and Nonfirm Sales by Customer Category

Customer Category	FY 1996			FY 1995		
	Firm	Nonfirm	Total	Firm	Nonfirm	Total
Municipal						
No. of customers	288	55	297	287	48	296
Energy sales - kWh(000)	8,873,128	396,587	9,269,716	8,661,787	346,167	9,007,954
Revenues - \$	153,192,557	5,046,717	158,239,273	167,584,591	5,681,556	173,266,147
Cooperatives						
No. of customers	46	18	53	45	12	52
Energy sales - kWh(000)	7,659,941	1,060,781	8,720,721	7,441,587	409,018	7,850,605
Revenues - \$	134,105,333	16,598,823	150,704,156	131,904,838	7,127,119	139,031,957
Federal						
No. of customers	56	6	59	58	2	59
Energy sales - kWh(000)	1,997,375	75,069	2,072,445	1,962,221	27,684	1,989,905
Revenues - \$	41,022,862	1,240,687	42,263,549	50,927,860	512,208	51,440,068
State						
No. of customers	58	7	59	60	7	62
Energy sales - kWh(000)	9,357,995	335,119	9,693,114	9,446,734	178,560	9,625,294
Revenues - \$	149,321,427	2,923,729	152,245,156	160,773,385	2,745,737	163,519,122
Public utility district						
No. of Customers	15	10	20	15	9	19
Energy sales - kWh(000)	3,642,316	417,432	4,059,748	3,560,405	271,408	3,831,813
Revenues - \$	81,418,780	6,813,541	88,232,321	95,305,308	5,515,389	100,820,697
Irrigation district						
No. of customers	51	5	52	56	2	57
Energy sales - kWh(000)	669,773	10,757	680,530	683,104	13,080	696,184
Revenues - \$	9,653,651	247,244	9,900,895	12,502,594	182,140	12,684,733
Investor-owned						
No. of customers ¹	2	57	60	3	41	44
Energy sales - kWh(000)	1,175,064	5,909,923	7,084,987	1,836,751	2,026,916	3,863,667
Revenues - \$	20,465,930	73,829,163	94,295,093	37,227,388	25,791,504	63,018,892
Total Western ²						
No. of customers ³	516	158	562	524	121	553
Energy sales - kWh(000)	33,375,592	8,205,669	41,581,260	33,592,589	3,272,833	36,865,422
Revenues - \$	589,180,540	106,699,904	695,880,443	656,225,964	47,555,652	703,781,616

¹ Western has one long-term firm investor-owned power customer, Southern California Edison, which has an entitlement to Boulder Canyon Project power. Pacific Gas and Electric Company purchases CVP firm power through EA2 sales.

² Sales shown here do not include Project Use, interdepartmental and interproject sales. They are included in the table on page 29.

³ Firm and nonfirm sales are not directly additive among customer types because many customers purchase both. Some customers also purchase power from more than one project. Firm and nonfirm columns have not been adjusted to account for this double counting. However, the totals have been adjusted.

Firm and Nonfirm Sales by Project

Project	FY 1996			FY 1995		
	Firm	Nonfirm	Total ¹	Firm	Nonfirm	Total ¹
Boulder Canyon						
Number of Customers	15	0	15	15	2	15
Energy Sales - kWh(000)	4,748,412	0	4,748,412	4,069,443	0	4,069,443
Power Revenues - \$	45,199,942	(38,493)	45,161,449	50,341,191	106,081	50,447,272
Central Arizona						
Number of Customers	1	1	1	1	0	1
Energy Sales - kWh(000)	3,500,000		3,500,000	4,109,000		4,109,000
Power Revenues - \$	81,976,122		81,976,122	87,485,753	0	87,485,753
Central Valley						
Number of Customers	81	8	85	82	6	86
Energy Sales - kWh(000)	7,140,100	131,238	7,271,338	7,632,900	124,474	7,757,374
Power Revenues - \$	162,145,101	2,538,458	164,683,559	214,620,682	4,107,906	218,728,588
Falcon-Amistad						
Number of Customers	0	2	2	0	2	2
Energy Sales - kWh(000)	0	120,153	120,153	0	182,715	182,715
Power Revenues - \$	0	3,220,356	3,220,356	0	3,330,516	3,330,516
Loveland Area Projects						
Number of Customers	31	0	31	31	5	31
Energy Sales - kWh(000)	2,307,453	0	2,307,453	2,103,182	77,424	2,180,606
Power Revenues - \$	47,193,696	0	47,193,696	44,923,254	1,471,063	46,394,317
Parker-Davis						
Number of Customers	25	19	41	27	14	39
Energy Sales - kWh(000)	1,151,280	269,836	1,421,116	1,153,048	67,750	1,220,798
Power Revenues - \$	7,236,315	3,689,861	10,926,175	12,905,777	1,042,458	13,948,234
Pick-Sloan Missouri Basin Program - Eastern Division						
Number of Customers	251	38	280	251	30	272
Energy Sales - kWh(000)	8,854,721	6,158,973	15,013,694	8,694,771	1,968,884	10,663,655
Power Revenues - \$	137,063,936	79,700,517	216,764,453	135,279,456	27,033,061	162,312,517
Provo River ²						
Number of Customers		2	2	0	2	2
Energy Sales - kWh(000)		27,670	27,670	0	17,905	17,905
Power Revenues - \$		279,192	279,192	0	197,802	197,802
Salt Lake City Area Integrated Projects						
Number of Customers	112	87	143	117	59	140
Energy Sales - kWh(000)	5,673,626	1,479,409	7,153,034	5,830,245	823,449	6,653,694
Power Revenues - \$	108,365,429	17,122,515	125,487,943	110,669,851	10,165,329	120,835,180
Washoe						
Number of Customers		1	1	0	1	1
Energy Sales - kWh(000)		18,390	18,390	0	10,231	10,231
Power Revenues - \$		187,498	187,498	0	101,436	101,436
Total Western ¹						
Number of Customers ²	516	158	562	524	121	553
Energy Sales - kWh(000)	33,375,592	8,205,669	41,581,260	33,592,589	3,272,832	36,865,421
Power Revenues - \$	589,180,540	106,699,904	695,880,443	656,225,964	47,555,652	703,781,616

¹ This table excludes power sales and revenues associated with interdepartmental, interproject, and Project Use (Bureau of Reclamation) activities. The sales table on page 29 includes Project Use sales.

² Firm and nonfirm customers are not additive among the projects, because many of these customers receive both firm and nonfirm power. The firm and nonfirm columns have not been adjusted to account for this double counting but the total columns have. See the individual rate-setting system sections in the Appendix to determine which customers received both types of power.

Power Sales by State

State	Municipalities	Rural Electric Cooperatives	Federal Agencies	State Agencies	Public Utility Districts	Irrigation Districts	Investor-Owned Utilities ¹	Inter-departmental	Inter-project	Project Use	State Total
Alabama											
Number of Customers							1				1
Energy Sales in kWh (000)							320				320
Sales of Electric (\$)							4,915				4,915
Arizona											
Number of Customers	6	1	8	3		15	3	1	2	1	40
Energy Sales in kWh (000)	39,790	89,462	361,321	5,372,330		282,891	185,979	3,251	557	13,621	6,349,202
Sales of Electric (\$)	517,265	1,093,447	4,271,398	102,135,433		3,001,834	2,515,945		48,650	92,986	113,676,958
California											
Number of Customers	29	1	25	9	11	26	5			34	140
Energy Sales in kWh (000)	3,249,484	63,677	1,340,965	1,549,696	2,426,317	388,176	1,267,259			1,188,195	10,473,769
Sales of Electric (\$)	61,926,135	1,447,546	31,143,009	13,775,585	57,860,911	6,746,811	21,341,547			9,360,000	203,601,544
Colorado											
Number of Customers	22	5	6	3		1	1		4	6	48
Energy Sales in kWh (000)	720,008	1,987,422	85,787	855,858		1,939	143,629		28,451	401	3,823,495
Sales of Electric (\$)	13,410,986	38,844,080	1,485,870	16,186,522		31,822	1,362,310		291,027	6,411	71,619,028
Georgia											
Number of Customers							1				1
Energy Sales in kWh (000)							27,840				27,840
Sales of Electric (\$)							458,428				458,428
Iowa											
Number of Customers	45	4					4				53
Energy Sales in kWh (000)	681,617	533,148					772,217				1,986,982
Sales of Electric (\$)	9,583,080	7,045,465					10,836,782				27,465,327
Kansas											
Number of Customers	1	1									2
Energy Sales in kWh (000)	104,470	92,061									196,531
Sales of Electric (\$)	2,124,718	1,465,777									3,590,495
Maryland											
Number of Customers							1				1
Energy Sales in kWh (000)							1,325				1,325
Sales of Electric (\$)							23,175				23,175
Minnesota											
Number of Customers	47	5		3	1		4				60
Energy Sales in kWh (000)	1,490,914	1,274,876		43,329	18,493		2,552,246				5,379,858
Sales of Electric (\$)	20,224,282	18,174,002		588,974	286,651		30,915,531				70,189,440
Mississippi											
Number of Customers							1				1
Energy Sales in kWh (000)							2,630				2,630
Sales of Electric (\$)							36,040				36,040
Missouri											
Number of Customers							2				2
Energy Sales in kWh (000)							732,875				732,875
Sales of Electric (\$)							9,712,801				9,712,801
Montana											
Number of Customers		3	2	2		3	1			11	22
Energy Sales in kWh (000)		748,851	2,942	4,190		3,802	285,058			23,406	1,068,249
Sales of Electric (\$)		10,842,148	7,545	37,946		35,916	3,019,433			60,228	14,003,216
Nebraska											
Number of Customers	54	1		8	3		1			4	71
Energy Sales in kWh (000)	647,765	230,104		138,269	1,416,921		66,752			2,882	2,502,693
Sales of Electric (\$)	11,189,119	4,859,619		1,875,956	27,507,073		811,800			6,965	46,250,532
Nevada											
Number of Customers	1	1	2	1			2			1	8
Energy Sales in kWh (000)	81,856	84,011	25,844	1,458,729			148,038			29,620	1,828,098
Sales of Electric (\$)	637,184	1,635,555	165,513	13,477,091			2,166,363			229,692	18,311,398
New Mexico											
Number of Customers	4	5	5				1				24
Energy Sales in kWh (000)	172,945	734,455	178,185				44,384				1,135,666
Sales of Electric (\$)	3,121,155	13,684,060	3,864,137				563,057				21,264,609
North Dakota											
Number of Customers	11	7	1	10			2			9	31
Energy Sales in kWh (000)	199,970	836,741	3,262	98,225			76,139			5,697	1,214,337
Sales of Electric (\$)	2,913,180	16,890,141	50,999	1,442,449			961,201			32,200	22,257,970
Ohio											
Number of Customers							1				1
Energy Sales in kWh (000)							450				450
Sales of Electric (\$)							9,000				9,000

Power Sales by State, continued

State	Municipalities	Rural Electric Cooperatives	Federal Agencies	State Agencies	Public Utility Districts	Irrigation Districts	Investor-Owned Utilities ¹	Inter-departmental	Inter-project	Project Use	State Total
Oklahoma											
Number of Customers							1				1
Energy Sales in kWh (000)							0				0
Sales of Electric (\$)							54,524				54,524
Oregon											
Number of Customers			1				1				2
Energy Sales in kWh (000)			1,760				9,345				11,105
Sales of Electric (\$)			32,310				98,553				130,863
South Dakota											
Number of Customers	33	5	1	10	2		1			5	57
Energy Sales in kWh (000)	713,919	1,028,656	18,325	125,788	194,057		31,803			5,715	2,118,263
Sales of Electric (\$)	10,301,707	14,299,685	267,155	1,865,784	2,511,300		504,771			47,866	29,798,268
Texas											
Number of Customers		2					9				11
Energy Sales in kWh (000)		120,153					290,444				410,597
Sales of Electric (\$)		3,220,356					3,358,007				6,578,363
Utah											
Number of Customers	35	6	3	2		4	1	1			52
Energy Sales in kWh (000)	1,146,676	434,171	36,495	22,788		3,433	9,095	877			1,653,535
Sales of Electric (\$)	21,896,055	7,680,567	672,239	392,901		78,993	64,493				30,785,248
Wisconsin											
Number of Customers					1		2				3
Energy Sales in kWh (000)					3,960		437,159				441,119
Sales of Electric (\$)					66,386		5,476,421				5,542,807
Wyoming											
Number of Customers	1	4	1	1		2				3	12
Energy Sales in kWh (000)	20,302	462,934	17,559	23,912		290				9,949	334,946
Sales of Electric (\$)	394,406	9,521,708	303,375	466,516		5,518				24,872	10,716,395
Total Western ²											
Number of Customers ³	289	51	55	52	18	51	46	2	6	74	644
Energy Sales in kWh (000)	9,269,716	8,720,721	2,072,445	9,693,114	4,059,748	680,530	7,084,987	4,128	29,008	1,279,485	42,893,884
Sales of Electric (\$)	158,239,272	150,704,156	42,263,550	152,245,157	88,232,321	9,900,894	94,295,097	0	339,677	9,861,219	706,081,340

¹ Western has two long-term firm investor-owned customers. Southern California Edison has an entitlement to Boulder Canyon Project power, and Pacific Gas and Electric Company purchases CVP firm power through EA2 sales. Other investor-owned customers and power marketers purchase only non-firm power.

² Customer counts include firm, nonfirm, project use, interdepartmental and interproject customers.

³ The total has been adjusted to eliminate double counting customers who purchase power from more than one project.

Consumers served by State ¹

State	Estimated residential population served by Western customers ²	Number of Western customers'/members' residential consumers (meters) ³	Customer purchases from Western (mWh) ⁴	Western customers'/members' total retail sales (mWh) ³	Total retail sales in state (mWh) ³	Western supply as % of customers' retail sales	Western supply as % of total state retail sales
Arizona	1,651,452	625,550	2,390,206	19,307,089	34,669,231	12%	7%
California	18,324,068	6,940,935	10,361,731	132,731,189	212,604,724	8%	5%
Colorado	1,480,438	560,772	3,618,582	17,698,263	34,734,286	20%	10%
Iowa *	287,385	108,858	1,472,505	3,034,533	34,300,923	49%	4%
Kansas *	344,884	130,638	193,632	1,911,342	30,356,882	10%	1%
Minnesota *	556,985	210,979	3,141,159	4,743,225	53,958,482	66%	6%
Montana *	141,715	53,680	776,163	1,001,873	13,418,360	77%	6%
North Dakota	201,015	76,142	1,146,467	2,357,486	7,882,636	49%	15%
Nebraska	1,422,773	538,929	2,341,921	16,331,001	20,892,479	14%	11%
New Mexico	470,815	178,339	1,074,878	4,654,233	16,415,546	23%	7%
Nevada *	57,615	21,824	1,574,971	1,699,281	20,659,397	93%	8%
South Dakota	373,351	141,421	1,968,729	3,123,188	7,413,567	63%	27%
Texas *	115,764	43,850	320,338	865,116	263,278,592	37%	0%
Utah	419,610	158,943	1,672,387	3,931,484	18,433,697	43%	9%
Wyoming	132,985	50,373	547,115	1,500,269	11,198,012	36%	5%
Totals	25,980,855	9,841,233	32,600,784	214,889,572	780,216,814		

¹ Based on 1995 data

² Assumes 2.64 persons per household, Census Bureau, July 1995 (U.S. average household size)

³ Resource Data, Inc., database

⁴ Western 1995 Annual Report

Excludes interdepartmental, interproject, and Bureau of Reclamation customers.

* Western service territory covers only a portion of this state; however, total retail sales in state column represent the whole state.

Purchase Power Costs by Project

Project and Source	FY 1996		FY 1995	
	Energy kWh(000)	Cost \$(000)	Energy kWh(000)	Cost \$(000)
Central Valley				
NonWestern	3,905,496	138,412	4,189,138	148,331
Western	0	0	3,000	57
Total Project purchases	3,905,496	138,412	4,192,138	148,388
Loveland Area Projects				
NonWestern	198,167	3,305	247,527	4,107
Western	0	0	0	7
Total Project purchases	198,167	3,305	247,527	4,114
Parker-Davis				
NonWestern	14,040	289	62,310	1,201
Western	0	49	3,430	87
Total Project purchases	14,040	338	65,740	1,289
Pick-Sloan Missouri Basin Program -				
Eastern Division				
NonWestern	1,812,294	23,102	2,299,937	31,093
Western	7,086	114	0	0
Total Project purchases	1,819,380	23,216	2,299,937	31,093
Salt Lake City Area Integrated Projects				
NonWestern	159,083	2,897	921,812	17,761
Western	1,675	35	6,446	85
Total Project purchases	160,758	2,932	928,258	17,847
Total Western ¹				
NonWestern	6,089,080	168,005	7,720,724	202,493
Western	8,761	198	12,876	236
Total Purchases	6,097,841	168,203	7,733,600	202,729

¹ Purchase power costs listed here differ from the financial statement for several reasons, including inter-change, spinning purchases, by-pass costs, deferred credits and other miscellaneous adjustments.

Outlook/Strategic Plan

We continued to make progress in meeting our mission of marketing and delivering reliable, cost-based Federal hydroelectric power. Our vision is to provide remarkable service and superior products, and delight our customers.

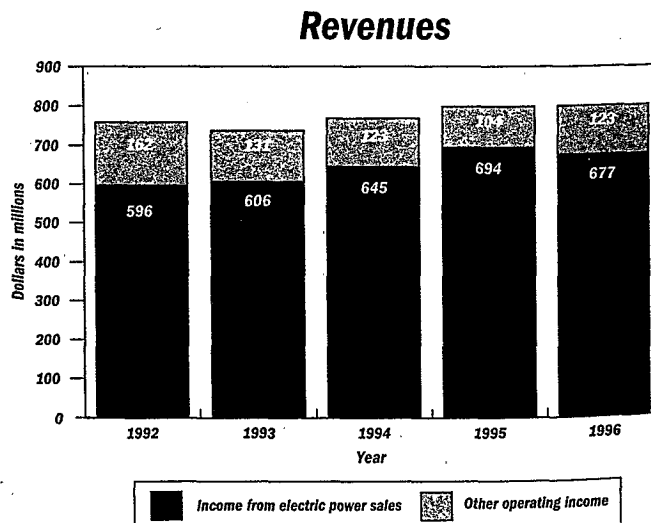
Competition

Major regulatory and structural changes are taking place in the electric utility industry which are expected to place downward pressure on prices and to increase competition to fulfill customers' energy demands. These changes, beginning with the Energy Policy Act of 1992 and followed by FERC orders 888 and 889 permit competition in the electric utility industry through broader access to transmission systems. The open access transmission rules require utilities to deliver power from other utilities and generation sources to wholesale customers. Although Western is not subject to recent Federal Energy Regulatory Commission open-access regulations, Western intends to comply with the spirit and intent of those regulations within its statutory authorities. Western is currently in the process of restructuring its marketing and transmission functions, assessing its available transmission capacity, and unbundling its services to effectively participate in the deregulated utility environment. Any impact on the future revenues of Western as a result of open access are currently unknown.

Results of Operations

Revenues

Total operating revenues for FY 96 were relatively flat compared to FY 95, decreasing \$1.3 million. While hydropower generation increased during FY 96 due to improved water conditions, FY 96 electric power sales were down \$16.6 million or 2 percent from FY 95. Reduced commercial power rates in the Central Valley Project caused electric power sales to decline \$38 million. Partially offsetting the impact of the CVP were higher generation and higher than normal surplus sales in the Pick-Sloan Missouri Basin Program resulting in increased electric power sales in FY 96 of \$56.1 million as compared to FY 95. Helping to offset the overall decrease in electric power sales was an increase in other operating income of \$19.2 million or 19 percent.



Expenses

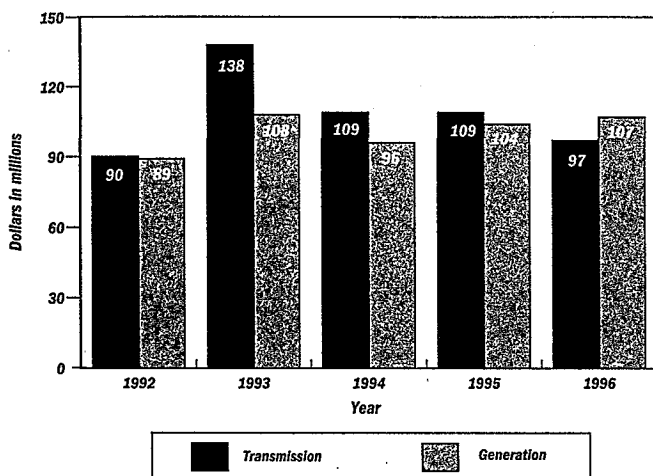
Total operating expenses during FY 96 were \$42.8 million, 8 percent below FY 95 levels. Impacting this decrease was a 26 percent, or \$44.7 million, decrease in purchased power costs. Reduced power purchases were most evident in the PSMBP (down \$20.5 million) and the Colorado River Storage Project (down \$13.8 million). Improved water conditions and higher reservoir levels from FY 95 kept power purchases down by providing for an increase in generation of 6,886 million kilowatt-

hours (21 percent) mainly in the PSMBP (5,137 million kWh), the Salt Lake City Area Integrated Projects (1,356 million kWh), and the Boulder Canyon Project (790 million kWh).

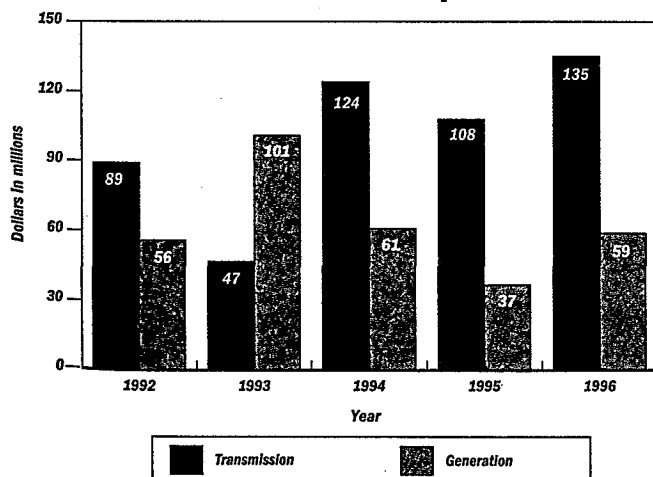
In FY 96, operation and maintenance expense decreased \$7.8 million (4 percent) from FY 95. Administrative and general expenses decreased \$3 million (6 percent) from FY 95. Western's AGE declined \$2.2 million due to continued cost containment efforts as a result of the transformation process while the generating agencies' AGE decreased \$0.8 million.

Partially offsetting the decreases in purchased power, O&M, and AGE was a \$48.7 million increase in net interest expense. During FY 95, a number of construction projects were completed and transferred to plant and interest expense increased accordingly.

Operation and maintenance expense



Net interest expense



Capital Expenditures

In FY 96, net utility plant increased \$18.1 million as a result of an increase in completed plant (\$156.6 million/3 percent). Expenditures at the generating agencies remained flat. However, Western's expenditures increased with work completed to include: replacements (transformers, circuit breakers, series capacitors) at the Tracy (\$23.3 million), Mead (\$14.8 million), and Malin (\$10.3 million) substations; and the Mead-Adelanto Transmission Line addition (\$23.9 million), Flaming Gorge Substation upgrade (\$8.5 million), Phoenix Service Center SCADA replacement (\$15.5 million), and Sierra Nevada Operations Center dispatch office (\$11.2 million). The increase in completed plant was offset by approximately \$77.3 million increase in accumulated depreciation.

Construction work in progress decreased \$61.3 million, or 17 percent, in FY 96 largely due to the transfers to completed plant as identified above.

Cash and Other Assets

Non-plant assets (cash, accounts receivable, and other assets) cumulatively decreased \$50 million from FY 95 balances. The cash account decreased 9 percent, or \$29.1 million, in FY 96. This was primarily attributable to the leveling out of cash balances for CRSP, which is a revolving fund. Improved reservoir conditions and lower purchased power costs allowed CRSP to reduce its cash-on-hand requirement. Surplus cash balances deemed not necessary for CRSP annual operation and maintenance were returned to the Treasury.

In FY 96, accounts receivable decreased \$26.9 million, or 19 percent, from the FY 95 level due primarily to the use of \$16.8 million in credits to offset purchases and receivables from Pacific Gas & Electric Company for energy, capacity and wheeling. This credit resulted from Western's settlement (\$39.8 million) with PG&E in 1992 and represents repayment by PG&E through offsets to Western energy bills.

Liabilities

The liability accounts for the power projects decreased by \$13.8 million, or 5 percent, in FY 96. Specifically, accounts payable increased \$26.1 million (56 percent), as attributed to timing differences between the receipt and payment of invoices to power suppliers.

Other liabilities decreased \$39.9 million (16 percent). This decrease is largely attributable to cooperative and reimbursable work initiated on a variety of projects (\$10.4 million), the use of \$16.8 million of power credits associated with the PG&E settlement (benefits are passed on to Western's customers through lower power

PERFORMANCE MEASUREMENTS

The Chief Financial Officers Act of 1990 requires Federal entities to develop performance measures to assist managers in evaluating the efficiency and effectiveness of their programs. This requirement was further stressed in the Government Performance and Results Act of 1993. The performance measures outlined here are linked to Western's organizational objectives and management responsibilities and were selected from industry standard financial and operating ratios used by public power systems for comparison in assessing electric utility performance.

Financial Performance Measurements

The debt service coverage ratio changed to 1.37 in FY 96 from 1.48 in FY 95. The debt service coverage ratio measures revenues in excess of operating expenses available to make principal and interest payments. A ratio of 1.0 indicates sufficient cash flow to make payments on unpaid investment, in addition to all other cash expenses. The excess funds indicated by the greater-than-one value are used to pay capitalized debts.

The ratio of cumulative principal paid as a percent of total Federal investment, including aid to irrigation, measures the percentage of repaid Federal investment at the end of each year. The FY 96 rate of 34.30 percent decreased from the FY 95 rate of 35.82 percent as a result of investment additions to the system that exceeded the principal payment.

Western's power generation and transmission activities provided \$14.2 million for repayment of unpaid investment during FY 96, \$18.1 million less than planned. This indicator measures the variance (-56.02 percent in FY 96 vs. 105.96 percent in FY 95) of actual from planned principal payments to the U.S. Department of the Treasury. The indicator will be zero if the actual payment is equal to the planned payment. Repayment was less than planned in FY 96 due to over collections in FY 94 and FY 95 of \$24 million, which offset the planned repayment of \$11.8 million for FY 96.

Western tracks several measures which allow Western to benchmark its efficiency and effectiveness against other utilities. The most recent industry statistics are listed in *Selected Financial and Operating Ratios of Public Power Systems, 1996*, a report prepared by the American Public Power Association. Statistics are calculated based on data from more than 400 of the largest publicly owned electric utilities in the United States.

O&M and AGE costs per firm kWh sold is a measure of the cost to operate and maintain the generation and transmission systems, based on firm energy sales, and is measured as a cost per kWh sold. The ratio and subsequently, the cost decreased in FY 96 to \$0.0083/kWh as compared with \$0.0088/kWh in FY 95 primarily due to a \$10.97 million decrease in O&M expenses combined with a 5.3 billion increase in kWh sales between fiscal years. The FY 94 industry average was \$0.047/kWh, the latest year for which American Public Power Association has published data.

The operating ratio measures the proportion of the operating costs (O&M, AGE, purchased power, and purchased transmission) associated with producing and selling electricity to the revenues received from electricity sales, rate adjustments and other electric activities. Western's FY 96 rate of 0.569 decreased from the FY 95 rate of 0.651 due predominantly to fewer power purchases by Western. The FY 94 industry rate was 0.785.

Western's revenue received from each kWh of electricity sold declined between FY 95 and FY 96 from \$0.019/kWh to \$0.016/kWh due to decreased power rates in CVP partially offset an by overall increase across Western of nonfirm and off-peak sales. This category of power is generally sold at lower rates than firm sales. The FY 94 industry rate was \$0.060/kWh.

The total power supply expenses (O&M, AGE, PP, and PT expenses) per kWh sold measures all power supply costs, including generation and purchased power, associated with the sale of each kWh of electricity sold. Western's FY 96 cost of \$0.011 decreased from the FY 95 rate of \$0.014 as a result of a decrease in operating expenses in conjunction with an increase in kWh sales, as previously identified. The FY 94 industry average was \$0.038/kWh.

Consolidated Financial Performance Indicators

	1996	1995		1996	1995
Debt service coverage ratio			Operating ratio		
Ratio	1.3678	1.4840	Ratio	0.5689	0.6515
Net revenue, net interest, depreciation	309,000,000	246,822,000	O&M, AGE, PP, PT	407,745,000	461,356,000
Planned principal payment, net interest	225,908,214	166,320,000	Revenue total	716,745,000	708,178,000
Investment repaid			Revenues per kWh sold		
Ratio	0.3430	0.3582	Ratio	0.0156	0.0185
Paid investment	2,277,406,000	2,264,029,000	Revenues (sales)	594,858,000	605,917,000
Total investment	6,639,080,000	6,320,214,000	kWh sold	38,081,260,000	32,756,421,000
Variance in principal payments			Total power supply expenses per kWh sold		
Ratio	(0.5602)	1.0596	Ratio	0.0107	0.0141
Principal payment-planned prin payment	(18,057,214)	22,656,000	O&M, AGE, PP, PT	407,745,000	461,356,000
Planned prin payment	32,235,214	21,382,000	kWh sold	38,081,260,000	32,756,421,000
O&M cost per firm kWh sold					
Ratio	0.0083	0.0088			
O&M, AGE	248,680,000	259,647,000			
kWh sold firm	29,875,592,000	29,483,589,000			

NOTE: Western's financial performance indicators exclude all assets, liabilities and operating expenses of the Central Arizona Project. Western, as the marketing agent, transfers most revenue collected for CAP to Reclamation after deductions for Western's CAP costs.

Operational Performance Measures

Western's goals include maintaining a safe, accident-free work place, and a safe, efficient, and reliable transmission system. To help us track these goals, we also report on a number of operational measures for occupational safety and health and transmission system efficiency.

Occupational safety and health measures, as adopted by DOE for occupational injuries and illnesses, are recognized throughout the electric utility industry and by statistical gathering entities to include the National Safety Council, Bureau of Labor Statistics, and National Institute for Occupational Safety and Health. Industry statistics are provided on a calendar-year basis. Accordingly, Western's measures have been calculated for the same time frame.

Lost workday case rate, or the lost-time injury frequency rate, measures the number of accidents (cases) per 200,000 hours worked. Western's CY 96 rate of 0.4 compares favorably with the industry average of 1.3 for the same period.

Total recordable case rate measures the recordable accident frequency rate by multiplying the number of recordable injuries by 200,000, then dividing by the total hours worked. Western's CY 96 rate of 1.2 is well under the industry average of 5.7.

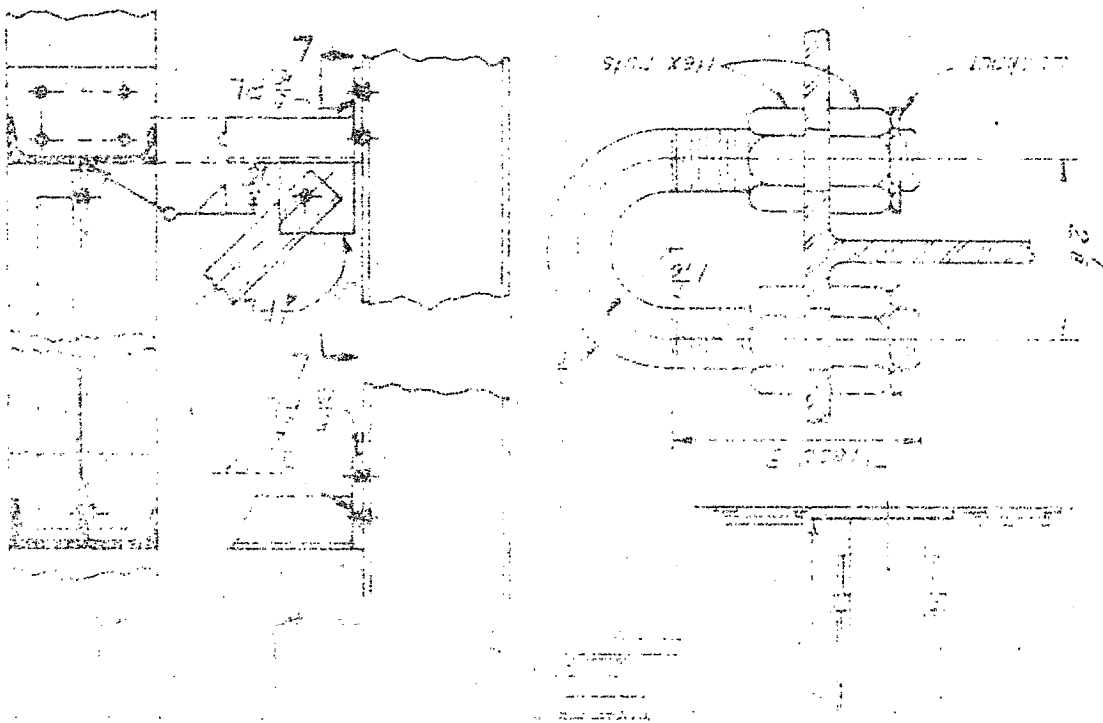
The motor vehicle accident (frequency) rate measures the agency's accident frequency by multiplying the number of recordable accidents by 1 million (rate calculated per million miles driven), and then dividing by the recorded miles driven. This rate does not distinguish between "preventable" or "non-preventable" accidents. Western's CY 96 rate of 1.2 remains below the DOE average of 2.6.

Western prepares one transmission system performance measure, area control error. The ACE measures the instantaneous difference between loads and generation, accounting for power interchange, using deviation from 60 hertz frequency. Each control area should be in compliance with specified criteria at least 90 percent of the time as required by the North American Electric Reliability Council.

Control criteria compliance is a measure used to determine if utility employees, control equipment, and generation are responsive to the minute-by-minute load changes throughout the year. Good control performance is required to maintain system reliability and to reduce losses, as well as a matter of equity among interconnected systems. Western's rate for FY 96 was 98.2, exceeding the industry average of 91.9.

Western's operations improved in FY 96 as reflected in the financial indicators. By limiting spending for capital expenditures and reducing controllable expenses, Western has been successful in maintaining rate stability and in some cases even reducing rates. This reflects our joint planning efforts with the generating agencies on resource and scheduling decisions and has resulted in our obtaining a higher level of customer satisfaction by managing costs which impact rates. Additionally, by reorganizing the work force, we are able to reduce costs by focusing on improving work practices and customer service. Every major action being taken — strategic planning, cost reduction, improvement of work practices — is part of a comprehensive effort by Western to succeed in an increasingly competitive market.

FINANCIAL STATEMENTS



Independent Auditors' Report

The Administrator

Western Area Power Administration

United States Department of Energy:

We have audited the accompanying combined power system statements of assets, Federal investment, and liabilities of the Western Area Power Administration (Western) as of September 30, 1996 and 1995, and the related combined power system statements of revenues, expenses, and accumulated net revenues, and cash flows for the years then ended. These combined power system financial statements are the responsibility of Western's management. Our responsibility is to express an opinion on these combined power system financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 93-06, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined power system financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined power system financial statements referred to above present fairly, in all material respects, the financial position of Western as of September 30, 1996 and 1995, and the results of its operations and changes in accumulated net revenues, and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued reports dated December 13, 1996, on our consideration of Western's inter-

nal control structure and on its compliance with laws and regulations.

Our audits were made for the purpose of forming an opinion on the combined power system financial statements taken as a whole. The accompanying combining information is presented for purposes of additional analysis of the combined power system financial statements rather than to present the financial position, results of operations and changes in accumulated net revenues, and cash flows of individual projects. The combining information has been subjected to the auditing procedures applied in the audits of the combined power system financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined power system financial statements taken as a whole.

The information presented in management's *Overview and Performance Measurements* is not a required part of the combined power system financial statements, but is supplementary information required by OMB Bulletin 94-01, *Form and Content of Agency Financial Statements*. We have considered whether this information is materially inconsistent with the combined power system financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the combined power system financial statements and, accordingly, we do not express an opinion on it. The performance information included in *Management's Overview and Performance Measurements* is addressed in our auditors' report on the internal control structure in accordance with OMB Bulletin 93-06.

This report is intended for the information of the management of Western and the United States Department of Energy. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

KPMG Peat Marwick LLP

KPMG Peat Marwick LLP

Salt Lake City, Utah
December 13, 1996

Combined Power System Statements of Assets, Federal Investment, and Liabilities

September 30, 1996 and 1995
(In thousands)

	1996	1995
ASSETS		
Utility plant:		
Completed plant	\$ 5,045,569	4,888,929
Accumulated depreciation	(1,662,435)	(1,585,133)
	<u>3,383,134</u>	<u>3,303,796</u>
Construction work-in-progress	301,231	362,501
Net utility plant	<u>3,684,365</u>	<u>3,666,297</u>
Cash	312,578	341,655
Accounts receivable	116,294	143,236
Other assets	105,371	99,317
Total Assets	<u><u>\$ 4,218,608</u></u>	<u><u>4,250,505</u></u>
FEDERAL INVESTMENT AND LIABILITIES		
Federal Investment:		
Congressional appropriations	\$ 8,385,061	8,009,392
Interest on Federal investment	2,985,635	2,786,583
Transfer of property and services, net	547,741	678,918
	<u>11,918,437</u>	<u>11,474,893</u>
Gross Federal Investment	11,918,437	11,474,893
Funds returned to U.S. Treasury	(8,292,681)	(7,816,918)
Net outstanding Federal investment	<u>3,625,756</u>	<u>3,657,975</u>
Accumulated net revenues	302,526	288,421
Total Federal investment	<u>3,928,282</u>	<u>3,946,396</u>
Commitments and contingencies (notes 5, 7 and 8)		
Liabilities:		
Accounts payable	73,039	46,940
Other liabilities	217,287	257,169
Total Liabilities	<u>290,326</u>	<u>304,109</u>
Total Federal Investment and Liabilities	<u><u>\$ 4,218,608</u></u>	<u><u>4,250,505</u></u>

The accompanying notes are an integral part of these combined power system financial statements.

Combined Power System Statements of Revenues Expenses, and Accumulated Net Revenues

Years Ended September 30, 1996 and 1995
(In thousands)

	1996	1995
OPERATING REVENUES:		
Sales of electric power	\$ 676,927	693,519
Other operating income	122,836	103,656
Gross operating revenues	799,763	797,175
Income transfers, net	(87,485)	(83,594)
Total operating revenues	712,278	713,581
OPERATING EXPENSES:		
Operation and maintenance	204,753	212,568
Administrative and general	45,245	48,264
Purchased power	129,136	173,851
Purchased transmission services	29,929	27,858
Depreciation	95,437	84,762
Total operating expenses	504,500	547,303
Net operating revenues	207,778	166,278
INTEREST ON FEDERAL INVESTMENT:		
Interest on Federal investment	211,350	143,031
Allowance for funds used during construction	(17,677)	1,907
Net interest expense	193,673	144,938
Net revenues	14,105	21,340
ACCUMULATED NET REVENUES:		
Balance, beginning of year	288,421	267,081
Balance, end of year	\$ 302,526	288,421

The accompanying notes are an integral part of these combined power system financial statements.

Combined Power System Statements of Cash Flows

Years Ended September 30, 1996 and 1995

(In thousands)

	1996	1995
Cash flows from operating activities:		
Net revenues	\$ 14,105	21,340
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation	95,437	84,762
Interest on Federal Investment	184,070	133,899
Write-on of recoverable asset	(13,052)	0
(Increase) decrease in assets:		
Accounts receivable	26,942	(28,375)
Other assets	4,474	8,132
Increase (decrease) in liabilities:		
Accounts payable	26,099	(21,668)
Other liabilities	(34,358)	16,542
Net cash provided by operating activities	303,717	214,632
Cash flows from investing activities --		
Investment in utility plant	(100,431)	(149,553)
Cash flows from financing activities:		
Congressional appropriations	245,263	244,295
Funds returned to U.S. Treasury	(475,763)	(415,065)
Customer advances	400	3,400
Principal payments to upraters	(2,263)	(4,892)
Net cash used in financing activities	(232,363)	(172,262)
Decrease in cash	(29,077)	(107,183)
Cash at beginning of year	341,655	448,838
Cash at end of year	\$ 312,578	341,655

Supplemental Schedule of Noncash Investing and Financing Activities

Capitalized interest during construction	\$ 17,677	(1,907)
Transfer of construction work-in-progress to completed plant	\$ 213,460	353,146

The accompanying notes are an integral part of these combined power system financial statements.

Notes to Combined Power System Financial Statements

September 30, 1996 and 1995

Note 1: Basis of Preparation of Financial Statements and Summary of Significant Accounting Policies

a. General

Western Area Power Administration's (Western) combined power system financial statements include the individual power projects listed in note 2 to these financial statements. Western is the Federal power marketing administration for these power projects. Except for the Central Arizona Project and the Pacific Northwest-Pacific Southwest Intertie, these power projects are part of multipurpose water resource projects and include certain transmission facilities of Western, an agency of the U.S. Department of Energy (DOE), and certain generating facilities of the U.S. Department of the Interior, Bureau of Reclamation (Reclamation); the U.S. Department of Defense, Army Corps of Engineers (the Corps); and the U.S. Department of State, International Boundary and Water Commission (IBWC). The United States has no ownership in power facilities of the Central Arizona Project (CAP) but does have an entitlement to power from the project generating facility and a transmission capacity entitlement to transmission facilities.

Western markets and transmits power throughout 15 western states which is produced by hydropower plants operated by Reclamation, the Corps, and IBWC. Each are separately managed and financed, and maintain separate accounting records. Reclamation, the Corps, and IBWC operate and maintain generating facilities that are part of multipurpose water resource projects and, accordingly allocate certain operating expenses and net assets among the projects' activities. Costs of the multipurpose projects are allocated to individual purposes (principally power, irrigation, municipal and industrial water, navigation, and flood control) through cost allocation processes. (See note 5b.) The accompanying combined power system financial statements include only those expenses and net assets which are expected to be recovered through the sale of power and other related income.

Accounts are maintained in accordance with generally accepted accounting principles (GAAP) and the uniform system of accounts prescribed for electric utilities by the Federal Energy Regulatory Commission (FERC). Accounting policies also reflect specific legislation and executive directives issued by Federal government departments. Western's combined power system financial statements are generally presented in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effect of Certain Types of Regulation*. The provisions of SFAS No. 71 require, among other things, that regulated enterprises reflect rate actions of the regulator in their financial statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise.

b. Confirmation and Approval of Rates

The Secretary of Energy (Secretary) has delegated authority to Western's Administrator to develop power and transmission rates for the power projects. The Deputy Secretary of Energy has the authority to confirm, approve, and place such rates in effect on an interim basis.

The Secretary delegated to FERC the authority to confirm, approve, and place such rates in effect on a final basis; to remand; or to disapprove

such rates. Refunds with interest, as determined by FERC, are authorized if rates finally approved are lower than rates approved on an interim basis. However, if at any time FERC determines that the administrative cost of a refund would exceed the amount to be refunded, no refunds will be required. No significant refunds are anticipated in connection with rates approved on an interim basis through September 30, 1996.

c. Operating Revenues

Operating revenues are recorded on the basis of power and services provided. Except for power projects using revolving funds, cash received is deposited directly with the U.S. Department of the Treasury (U.S. Treasury) and is reflected as "Funds returned to U.S. Treasury" in the accompanying combined power system statements of assets, Federal investment, and liabilities. For power projects using revolving funds, cash received is deposited in the U.S. Treasury and remains available to the project for operation and maintenance expenses. (Construction expenditures are financed primarily through Congressional appropriations.) For revolving fund projects, cash collected in excess of expenditures is used for repayment of investment to the U.S. Treasury.

Power and transmission rates are established under requirements of the power projects' authorizing legislation and related Federal statutes and are intended to provide sufficient revenue to recover all costs allocated to power and, in some projects, a portion of irrigation-related costs (when such costs are beyond the irrigation users' ability to repay). Costs allocated to power include repayment to the U.S. Treasury of its investment in power facilities and interest thereon. Rates are structured to provide for repayment of investment in power facilities, generally over 50 years, while operation and maintenance costs and interest on Federal investment are recovered annually.

The projects' enacting legislation does not recognize annual depreciation based on actual service lives as a measure of the required repayment for investment in utility plant. This results in some assets being fully depreciated before costs are recovered whereas annual depreciation costs on other assets continue after such costs have been recovered through revenues. Western matches these costs and revenues by deferring the unmatched portion of the revenues as accumulated net revenues. Because Western is a nonprofit Federal power marketing agency, accumulated net revenues are committed to repayment of the Federal investment.

While energy and transmission rates are established to recover the costs of operating the power projects, rates are also required to be at the lowest possible level, consistent with sound business principles. Over the life of the power system, accumulated net revenues represent differences between the timing of recognizing expenses and the related revenues, with the primary cause related to the difference between the recognition of depreciation expense and the related recovery of the U.S. Treasury's investment in utility plant. At any given time, the accumulated net revenue (deficit) balance is deemed to represent net deferred revenue or expense.

Income transfers, net, represent the amount of funds collected but subsequently transferred primarily relating to the surplus generation marketed from the Navajo Generating Station on behalf of Reclamation's Central Arizona Project and the Central Arizona Water Conservation District.

d. Cash

For purposes of reporting cash flows, cash consists principally of the unexpended balance of funds authorized by Congress, customer advances, as well as revolving fund revenues in the U.S. Treasury.

e. Utility Plant

Utility plant is stated at original cost, net of contributions in aid of construction by entities outside of the combined power system. Costs include direct labor and materials, payments to contractors, indirect charges for engineering, supervision and administrative and general expense, and interest during construction (IDC). The costs of additions, major replacements, and betterments are capitalized, with the exception of replacements at the Boulder Canyon Project which are charged to operation and maintenance expense. Repairs are charged to operation and maintenance expense. The cost of utility plant retired, together with removal costs less salvage, is charged to accumulated depreciation at the time the plant retired is removed from service. Plant assets of the power systems are currently depreciated using the straight-line method over estimated service lives ranging from 16 years to 89 years.

f. Interest on Federal Investment

Interest is accrued annually on the Federal investment as mandated by Federal statute and project legislation. Such interest is reflected as an annual expense in the accompanying statements of revenues, expenses, and accumulated net revenues with a corresponding increase in the gross Federal investment. Western calculates interest on Federal investment based on the annual unpaid balance using rates set by law, administrative orders pursuant to law, or administrative policies. Western follows the provisions of DOE Procedure RA 6120.2 which sets forth the priority of repayment. DOE Procedure RA 6120.2 requires annual net revenues available for repayment to be applied first to annual operating expenses and then to investment in facilities bearing the highest interest rate (see note 5a). Interest rates range from 0 to 12.4 percent depending on the year in which construction on the transmission and generation facilities was initiated or on the authorizing legislation.

As allowed under Federal law, interest is not accrued on Federal investment in irrigation facilities anticipated to be repaid through power sales. (See note 7b.)

g. Interest During Construction

The practice of capitalizing IDC is followed for all generating and transmission facilities with the exception of certain portions of Central Valley Power System's generating facilities, which are currently exempt from IDC. Western generally calculates IDC based on the average annual outstanding balance of construction work-in-progress. Western's policy is to capitalize IDC through the end of the fiscal year in which assets are placed in service. IDC is recovered over the repayment period of the related plant asset through increased revenues resulting from higher investment. Applicable interest rates ranged from 7.1 to 12.4 percent for the years ended September 30, 1996 and 1995, respectively.

h. Retirement Benefits

Western, Reclamation, the Corps, and IBWC employees participate in either the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS). Agency contributions are based on eligible employee compensation and total 7 percent for CSRS and 12.2 percent

for FERS. These contributions are submitted to benefit program trust funds administered by the Office of Personnel Management (OPM).

The contribution levels as legislatively mandated do not reflect the full cost requirements to fund the CSRS pension plan (approximately 25.1 percent). Additional sources of funding include direct appropriations provided to the OPM, not the individual agencies. The cost of health and life insurance benefit programs are similarly administered and paid through OPM.

In FY 1997, as recommended by the Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, and SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, the full cost of pension and other retirement benefits will be reported in the accompanying financial statements. At that time, any portion of these expenses funded by OPM will be specifically identified.

i. Income Taxes

The facilities and income included in these combined power system financial statements are exempt from taxation.

j. Use of Estimates

Western's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates. (See note 5b and 7d.)

k. Reclassifications

Certain amounts in the prior year's combined power system financial statements have been reclassified to conform with the fiscal year 1996 presentation.

Note 2: Power Projects and Authorizing Legislation

Western's combined power system financial statements include the financial position, results of operations, and cash flows of 15 separate power projects. The following is a list of the Federal power projects and related authorizing legislation. The transmission and generating facilities are operated as individual integrated power projects with the financial results combined in these financial statements.

Boulder Canyon Power System

Boulder Canyon Project Act of 1928, as amended

Central Arizona Project

Colorado River Basin Project Act of 1968, as amended

Central Valley Power System

Act of August 26, 1937, as amended

Collbran Power System

Act of July 3, 1952

Colorado River Storage Power System

Colorado River Storage Project Act of 1956, as amended

Dolores Power System

Colorado River Basin Project Act of 1968, as amended

Falcon-Amistad Power System (International Boundary and Water Commission)

Acts of June 18, 1954, and July 7, 1960

Fryingpan-Arkansas Power System

Act of August 16, 1962, as amended

Pacific Northwest-Pacific Southwest Intertie Project

Act of August 31, 1964

Parker-Davis Power System

Act of May 28, 1954

Pick-Sloan Missouri Basin Power System

Flood Control Act of 1944, as amended

Provo River Power System

Finding of Feasibility by the Secretary of the Interior, November 13, 1935

Rio Grande Power System

Act of February 25, 1905

Seedskadee Power System

Act of April 11, 1956

Washoe Power System

Act of August 1, 1956

Note 3: Other Assets

Other assets as of September 30, 1996 and 1995, consist of the following (in thousands):

	1996	1995
Movable equipment, net	\$ 46,470	51,650
Stores inventory	20,627	22,819
Abandoned project costs	11,016	800
Interchange energy	10,537	5,940
Miscellaneous deferred debits	5,945	6,632
Energy banking deferral	5,925	2,462
Prepayments and advances to others	2,637	6,145
Deposit funds available	2,214	2,869
Totals	\$ 105,371	99,317

The energy banking deferral is an arrangement with certain customers in which excess power and/or transmission capacity is banked with the customers until additional power is needed by Western to meet contractual obligations. Western records as other asset for the banked power and/or transmission services provided at a contractually agreed upon amount. The net revenue or expense associated with the banking activity is deferred as an other liability.

Note 5: Federal Investment and Cost Allocation**a. General**

Federal investment consists of Congressional appropriations (including nonreimbursable expenses), accumulated interest on unpaid Federal

Note 4: Utility Plant

Major classes of utility plant and related accumulated depreciation as of September 30, 1996 and 1995, consist of the following (in thousands):

	1996			1995		
	Western	Generating agencies	Total	Western	Generating agencies	Total
Completed plant:						
Generating plant	\$ 0	2,834,917	2,834,917	0	2,805,795	2,805,795
Transmission plant	2,210,652 ¹	0	2,210,652	2,083,134 ¹	0	2,083,134
	2,210,652	2,834,917	5,045,569	2,083,134	2,805,795	4,888,929
Accumulated depreciation	(694,844)	(967,591)	(1,662,435)	(651,659)	(933,474)	(1,585,133)
	1,515,808	1,867,326	3,383,134	1,431,475	1,872,321	3,303,796
Construction work-in-progress:						
Generating plant	0	83,812	83,812	0	91,805	91,805
Transmission plant	217,419	0	217,419	270,696	0	270,696
	217,419	83,812	301,231	270,696	91,805	362,501
Net utility plant	\$1,733,227	1,951,138	3,684,365	1,702,171	1,964,126	3,666,297

¹ Includes approximately \$21 million and \$30 million of intangible assets representing power rights as of September 30, 1996 and 1995, respectively.

investment, and the net transfers of property and costs from other Federal agencies. All power projects (except Central Arizona, Fort Peck, Dolores, Seedskaadee, and the operations and maintenance and purchased power programs of the Colorado River Storage Project) are primarily financed through Congressional appropriations for operation and maintenance and a portion of construction and rehabilitation and purchased power expenditures. The remainder of construction and rehabilitation and purchased power expenditures are financed through other mechanisms such as advances from non-Federal entities; reimbursements from other Federal agencies; alternative methods such as net billing and bill crediting; or any combination thereof.

The Federal investment in the combined power systems' utility plant is to be repaid to the U.S. Treasury within 50 years from the time the facilities are placed in service or are commercially operational. Replacements to Federal investments are generally to be repaid over their expected service lives. There is no requirement for repayment of a specific amount of Federal investment on an annual basis. However, operating expenses (excluding depreciation expense) and interest on the unpaid Federal investment should be paid annually. To the extent that funds are not available for payment, such unpaid annual net deficits become payable from the subsequent years' revenue prior to any repayment of Federal investment. Interest is accrued on cumulative annual net deficits until paid. As of September 30, 1996 and 1995, the cumulative unpaid annual operating expenses (excluding depreciation expense) and interest on Federal investment was approximately \$81 million and \$195 million, respectively.

b. Federal Investment in Multipurpose Facilities

The Federal investment in certain multipurpose facilities (primarily dams and appurtenant structures integral to the generation of power), required to be repaid from the sale of power, has been determined from preliminary cost allocation studies based on standards approved by Congress. Allocations between power and nonpower activities may be changed in future years; however, an allocation standard cannot be changed unless the change is also approved by Congress.

Final studies will be performed by Reclamation and the Corps, as appropriate, upon completion of each of the individual power projects and are still pending for all but the Frypan-Arkansas (FryArk) project. The FryArk final study was completed by Reclamation in fiscal year 1993. The Boulder Canyon and Parker-Davis projects are not subject to cost allocation studies since these projects' enacting legislation required the total cost of the dams and appurtenant structures to be repaid through power revenues.

As final cost allocation studies are still pending for many of the individual projects comprising the combined power system, potential exists for significant future adjustment in the Federal investment for the cost of multipurpose facilities allocated to power, and the related accrued interest on unpaid investment. Changes in the allocation of operating and maintenance expenses are accounted for prospectively, unless specific legislation requires retroactive application.

c. Shasta Cold Water Releases

For the years ended September 30, 1996 and 1995, bypass releases at the Shasta Dam resulted in Western increasing its purchased power and wheeling costs by \$15.3 million and \$11.3 million (as revised), respectively.

As part of the Energy and Water Development Appropriations Act of 1990, Congress included a provision stating that any increase in purchase power costs incurred by Western after January 1, 1986, resulting from bypass releases for temperature control purposes related to preservation of anadromous fisheries in the Sacramento River shall not be the responsibility of power customers. Accordingly, such costs have been charged against Congressional appropriations in the accompanying combined statements of assets, Federal investment, and liabilities; thus increasing the net revenue applied to Federal investment subject to repayment.

Note 6: Other Liabilities

Other liabilities as of September 30, 1996 and 1995, consist of the following (in thousands):

	1996	1995
Customer advances	\$ 169,173	174,759
Cooperative and reimbursable work		
trust fund liability	17,801	28,200
Accrued annual leave	10,024	10,159
Energy banking deferral	5,925	2,462
Interchange energy	4,965	12,474
Deposit funds	4,407	4,773
Accrued payroll benefits	2,616	2,163
Miscellaneous deferred credits	2,376	22,179
Totals	\$ 217,287	257,169

Customer advances primarily consist of two components. The first component consists of the principal and interest payable to contractors/customers of the Boulder Canyon project who provided financing for the cost of upgrading each of the generating units at Hoover Dam. The liability to such customers is being relieved through the issuance of credits on the subsequent sale of power. The obligation is scheduled to be relieved over a period through and including the year 2017, with interest at rates ranging between 5.5 and 8.2 percent. The second component consists of the principal payable to the State of Wyoming which provided partial financing for the cost of improvements at the Buffalo Bill Dam and associated powerplants. The liability to the State of Wyoming is scheduled to be relieved over a period of 35 years beginning in 1996, with an approximate interest rate of 11.1 percent.

Note 7: Commitments and Contingencies

a. General

Western, Reclamation, the Corps, and IBWC are involved in various claims, suits, and complaints which are routine to the nature of their business. In the opinion of management and their legal counsel, the actions are either without merit or involve amounts which are not material to these combined power system financial statements.

The accompanying September 30, 1996, combined power system statement of assets, Federal investment, and liabilities includes investment in completed plant for the Hoover Dam visitor facilities. Presently, the total cost of the facilities, including IDC, is approximately \$124 million and contingent upon the settlement of the following claim.

The construction contractor for the Hoover Dam visitors center and parking structure submitted a \$32.3 million breach of contract claim to Reclamation on July 28, 1995. The Contracting Officer issued a final decision on the claim on September 21, 1995, stating that the claim, as submitted, was denied. Subsequently, the contractor filed a breach of contract lawsuit against Reclamation with the Court of Federal Claims on October 4, 1995. The lawsuit is in the early stages of litigation.

Reclamation believes the claim is excessive and unsupported, although Reclamation acknowledges that the construction contractor may be due some consideration as a result of some necessary contract modifications. Reclamation plans to complete a technical evaluation of the project by February 1997. This evaluation is expected to provide the basis for a determination of an appropriate amount, if any, to be paid to the construction contractor for contract modifications.

b. Irrigation Assistance

Federal statute requires the use of the combined power system's net revenues to repay the U.S. Treasury a certain portion of Reclamation's project capital costs allocated to irrigation purposes determined by the Secretary of the Interior to be beyond the ability of the irrigation customers to repay. Although these costs may be paid through sales of power, such costs do not represent an operating cost of the combined power system. Accordingly, neither the costs nor the related revenues will be reflected in the financial statements of the combined power system at the time such revenues are collected and returned to the U.S. Treasury. Such payments were \$1 million and \$1.1 million for the years ended September 30, 1996 and 1995, respectively.

c. Financing of Boulder Canyon Project Improvements

In 1987, Reclamation initiated a project designed to increase (uprate) the generating capacity of the Boulder Canyon Project (the Project). Certain customers of the Project agreed to provide funding for the cost of the improvements, primarily through the issuance of long-term bonds. In some cases, proceeds from the issuance of the bonds exceeded the amounts required to fund the cost of the improvements.

For purposes of measuring the liability related to the Upgrading Program (the Program), Reclamation reports only the total amount of the advances received from customers in the accompanying combined power system statements of assets, Federal investment, and liabilities. Bond issuance costs are being included in the determination of annual interest expense to be recognized over the term of the debt repayment. The net proceeds from the issuance of the debt, in excess of the amount advanced to Reclamation, have similarly been excluded from the assets of the Project.

Presently, interest expense on the liability is measured based on the total outstanding bonded indebtedness. Interest income from excess proceeds will reduce future interest costs subject to arbitrage regulations. Until all improvements are complete, and any remaining excess funds are applied against outstanding debt, the total interest cost of financing the Upgrading Program will be subject to uncertainty.

d. Colorado River Storage Project

In October 1992, Congress passed the Grand Canyon Protection Act of 1992 (the Act). The purpose of the Act was to "protect... and improve

the values for which the Grand Canyon National Park and Glen Canyon National Recreation Area were established."

The Act relieves Colorado River Storage Project (CRSP) power customers of repayment obligations for capital costs equivalent to certain expenses of environmental impact studies related to the Glen Canyon Dam. However, in connection with this legislation, Congress included a provision that such costs could become the responsibility of the power customers if the overall provisions of the Act cause net offsetting receipts to decrease through fiscal year 1997. Beginning in fiscal year 1998, power customers will receive credit to outstanding capital obligations equal to their spending on the aforementioned environmental expenses.

The Secretary of the Interior in concert with Reclamation management, is in the process of studying the provisions of the Act and reconsidering previous interpretations applied to these costs by Reclamation through 1996. Thus, final determination of these costs is subject to uncertainty. As such, Reclamation will continue to account for these costs under the current interpretation until the Secretary submits a report with the final determination to the appropriate House and Senate committees. Any future obligations related to the final allocation of these costs will be reflected in the period in which such obligations become evident.

For the years ended September 30, 1996 and 1995, Western and Reclamation incurred \$12.8 million and \$13.9 million, respectively, in environmental costs which were deemed nonreimbursable. Accordingly, such costs have been charged against Congressional appropriations in the accompanying combined power system statements of assets, Federal investment, and liabilities, thus increasing the net revenue applied to the Federal investment subject to repayment.

e. Power Contract Commitments

Western has entered into various long-term agreements for power and transmission purchases to meet its contract obligations. For the years ended September 30, 1996 and 1995, purchased power expenses totaled \$129.1 million and \$173.9 million; and purchased transmission service expenses totaled \$29.9 million and \$27.9 million, respectively.

Note 8: Other

a. Washoe Project

The Washoe Project Power Repayment Study dated January 31, 1997, indicates the project requires a rate of at least 57 mills per kWh to cover annual operating expenses (excluding depreciation expense) plus interest to repay the Federal investment in project facilities allocated to power. At this time, Western is selling the output of the Stampede powerplant at 18.95 mills per kWh.

Cumulative unpaid annual operating expenses plus interest and the net unpaid Federal investment in Washoe Project facilities total approximately \$4.1 and \$3.9 million and \$8.9 and \$8.9 million as of September 30, 1996 and 1995, respectively. Based on current conditions, it is unlikely the project will be able to generate sufficient revenues to repay the Federal investment within the authorized repayment period. Power rates currently in place at the Washoe Power System have been placed into effect on an interim basis and are awaiting FERC approval.

b. PG&E Energy Settlement for Energy Account No. 2

Rates

On February 2, 1992, Western and Pacific Gas and Electric (PG&E) entered into a settlement agreement on the methodology to be used to calculate PG&E's thermal rates for PG&E capacity and energy purchases under Contract No. 14-06-200-2948A (Thermal Rate Settlement). The Thermal Rate Settlement provides for the reconciliation of costs for energy withdrawals and deposits from Energy Account No. 2 (EA2). The settlement period for the reconciliation of costs of energy deposits and withdrawals covers 1985 through 1992.

On April 18, 1994, PG&E filed a Rate Schedule with FERC acknowledging the reconciliation of the energy account costs. The reconciliation of the rates for the 1985 through 1992 period, including interest, resulted in PG&E owing Western \$39.8 million. It was agreed that PG&E would apply the refund as a credit against Western's energy bills starting with the month of October 1993.

Refunds applied cumulatively through September 30, 1996, total \$39.4 million. The remaining credit will be returned to the rate payers as the credit is applied against PG&E billings.

c. Celilo-Mead Transmission Line

In 1993, Western's management of the Pacific Northwest-Pacific Southwest Intertie Project determined the Celilo-Mead 750-kV DC line project abandoned. Accordingly, \$13.5 million in costs were charged against operations and maintenance (O&M) expense. In 1996, Western restored the asset through a credit to O&M expense and began amortizing these abandoned project costs. For the year ended September 30, 1996, actual O&M expense on the Intertie Project amounted to \$3.1 million which includes approximately \$0.5 million amortization expense.

Combining Power System Statements of Assets, Federal Investment, and Liabilities,

September 30, 1996 and 1995
(In thousands)

	1996			1995		
	Western	Generating agencies ¹	Total	Western	Generating agencies ¹	Total
ASSETS						
Utility plant:						
Completed plant	\$ 2,210,652	2,834,917	5,045,569	2,083,134	2,805,795	4,888,929
Accumulated depreciation	(694,844)	(967,591)	(1,662,435)	(651,659)	(933,474)	(1,585,133)
	1,515,808	1,867,326	3,383,134	1,431,475	1,872,321	3,303,796
Construction work-in-progress	217,419	83,812	301,231	270,696	91,805	362,501
Net utility plant	1,733,227	1,951,138	3,684,365	1,702,171	1,964,126	3,666,297
Cash	257,028	55,550	312,578	276,784	64,871	341,655
Accounts receivable	115,893	401	116,294	143,105	131	143,236
Other assets	94,557	10,814	105,371	85,258	14,059	99,317
Total assets	\$ 2,200,705	2,017,903	4,218,608	2,207,318	2,043,187	4,250,505
FEDERAL INVESTMENT AND LIABILITIES						
Federal Investment:						
Congressional appropriations	\$ 3,995,307	4,389,754	8,385,061	3,771,784	4,237,608	8,009,392
Interest on Federal investment	1,224,979	1,760,656	2,985,635	1,087,499	1,699,084	2,786,583
Transfer of property and services, net	2,377,949	(1,830,208)	547,741	2,354,087	(1,675,169)	678,918
Gross Federal investment	7,598,235	4,320,202	11,918,437	7,213,370	4,261,523	11,474,893
Funds returned to U.S. Treasury	(5,378,386)	(2,914,295)	(8,292,681)	(4,917,824)	(2,899,094)	(7,816,918)
Net outstanding Federal investment	2,219,849	1,405,907	3,625,756	2,295,546	1,362,429	3,657,975
Accumulated net revenues (deficit)	(119,822)	422,348	302,526	(196,617)	485,038	288,421
Total Federal Investment	2,100,027	1,828,255	3,928,282	2,098,929	1,847,467	3,946,396
Commitments and contingencies						
Liabilities:						
Accounts payable	62,412	10,627	73,039	40,057	6,883	46,940
Other liabilities	38,266	179,021	217,287	68,332	188,837	257,169
Total liabilities	100,678	189,648	290,326	108,389	195,720	304,109
Total Federal investment and liabilities	\$ 2,200,705	2,017,903	4,218,608	2,207,318	2,043,187	4,250,505

¹ Generating agencies are the Bureau of Reclamation, U.S. Army Corps of Engineers and International Boundary and Water Commission.

See independent auditors' report.

Combining Power System Statements of Revenues, Expenses, and Accumulated Net Revenues

Years Ended September 30, 1996 and 1995

(In thousands)

	1996			1995		
	Western	Generating agencies ¹	Total	Western	Generating agencies ¹	Total
OPERATING REVENUES:						
Sales of electric power	\$ 676,927	0	676,927	693,519	0	693,519
Other operating income	114,169	8,667	122,836	97,178	6,478	103,656
Gross operating revenues	791,096	8,667	799,763	790,697	6,478	797,175
Income transfers, net	(229,609)	142,124	(87,485)	(173,996)	90,402	(83,594)
Total operating revenues	561,487	150,791	712,278	616,701	96,880	713,581
OPERATING EXPENSES:						
Operation and maintenance	97,316	107,437	204,753	108,825	103,743	212,568
Administration and general	39,621	5,624	45,245	41,815	6,449	48,264
Purchased power	129,136		129,136	173,851	0	173,851
Purchased transmission services	29,929		29,929	27,858		27,858
Depreciation	53,964	41,473	95,437	46,504	38,258	84,762
Total operating expenses	349,966	154,534	504,500	398,853	148,450	547,303
Net operating revenues (deficit)	211,521	(3,743)	207,778	217,848	(51,570)	166,278
INTEREST ON FEDERAL INVESTMENT:						
Interest on Federal investment	149,051	62,299	211,350	140,282	2,749	143,031
Allowance for funds used during construction	(14,325)	(3,352)	(17,677)	(32,532)	34,439	1,907
Net interest expense	134,726	58,947	193,673	107,750	37,188	144,938
Net revenues (deficit)	76,795	(62,690)	14,105	110,098	(88,758)	21,340
ACCUMULATED NET REVENUES (DEFICIT):						
Balance beginning of year	(196,617)	485,038	288,421	(306,715)	573,796	267,081
Balance end of year	\$ (119,822)	422,348	302,526	(196,617)	485,038	288,421

¹ Generating agencies are the Bureau of Reclamation, U.S. Army Corps of Engineers and International Boundary and Water Commission.

See independent auditors' report.

Combining Power System Statement of Assets, Federal Investment, and Liabilities, by Project

September 30, 1996
(In thousands)

	Boulder Canyon Power System	Central Arizona Project	Central Valley Power System	Collbran Power System	Colorado River Power System	Dolores Power System	Falcon-Amistad Power System (IBWC)
ASSETS							
Utility plant:							
Completed plant	\$ 472,246	0	551,221	14,102	1,010,920	36,072	44,447
Accumulated depreciation	(143,624)	0	(230,641)	(4,232)	(292,750)	(1,273)	(12,188)
	328,622	0	320,580	9,870	718,170	34,799	32,259
Construction work-in-progress	0	0	53,958	147	41,118	16	0
	328,622	0	374,538	10,017	759,288	34,815	32,259
Net utility plant	328,622	0	374,538	10,017	759,288	34,815	32,259
Cash	26,346	360	64,034	74	40,578	2,397	407
Accounts receivable	3,703	7,600	52,837	0	12,330	6	268
Other assets	2,500	57	9,387	514	12,586	5	0
	361,171	8,017	500,796	10,605	824,782	37,223	32,934
Total assets	\$ 361,171	8,017	500,796	10,605	824,782	37,223	32,934
FEDERAL INVESTMENT AND LIABILITIES							
Federal investment:							
Congressional appropriations	\$ 623,190	76	2,073,423	27,354	658,832	30,440	59,082
Interest on Federal investment	216,511	0	371,178	10,970	657,877	9,129	37,016
Transfer of property and services, net	(34,341)	36	272,654	448	22,958	(1,494)	475
	805,360	112	2,717,255	38,772	1,339,667	38,075	96,573
Gross Federal investment	805,360	112	2,717,255	38,772	1,339,667	38,075	96,573
Funds returned to U.S. Treasury	(609,398)	0	(2,361,734)	(29,945)	(753,285)	0	(62,557)
	195,962	112	355,521	8,827	586,382	38,075	34,016
Net outstanding Federal investment	195,962	112	355,521	8,827	586,382	38,075	34,016
Accumulated net revenues (deficit)	14,332	7,787	107,946	1,674	222,059	(886)	(1,349)
	210,294	7,899	463,467	10,501	808,441	37,189	32,667
Total Federal Investment	210,294	7,899	463,467	10,501	808,441	37,189	32,667
Commitments and contingencies							
Liabilities:							
Accounts payable	1,447	85	32,380	15	4,815	8	143
Other liabilities	149,430	33	4,949	89	11,526	26	124
	150,877	118	37,329	104	16,341	34	267
Total liabilities	150,877	118	37,329	104	16,341	34	267
Total Federal Investment and liabilities	\$ 361,171	8,017	500,796	10,605	824,782	37,223	32,934

See independent auditors' report.

Fryingpan- Arkansas Power System	Pacific Northwest- Pacific Southwest Intertie Project	Parker- Davis Power System	Pick-Sloan Missouri Basin Power System	Provo River Power System	Rio Grande Power System	Seedskaade Power System	Washoe Power System	Other	Combined Total
147,609 (26,011)	99,629 (35,772)	298,065 (123,701)	2,338,890 (784,865)	1,515 (653)	12,479 (2,922)	7,269 (2,222)	8,822 (1,158)	2,283 (423)	5,045,569 (1,662,435)
121,598 192	63,857 100,428	174,364 18,668	1,554,025 85,150	862 173	9,557 1,266	5,047 115	7,664 0	1,860 0	3,383,134 301,231
121,790	164,285	193,032	1,639,175	1,035	10,823	5,162	7,664	1,860	3,684,365
676 1,193 65	8,201 598 11,206	14,694 4,386 14,147	58,481 31,997 42,280	39 47 0	527 0 205	773 0 0	86 122 15	94,905 1,207 12,404	312,578 116,294 105,371
123,724	184,290	226,259	1,771,933	1,121	11,555	5,935	7,887	110,376	4,218,608
165,914 103,153 2,205	224,743 93,962 (4,994)	704,240 144,561 (2,080)	3,632,289 1,315,992 307,659	3,697 721 81	54,270 15,689 (304)	2,120 4,658 1,571	9,625 4,218 (33)	115,766 0 (17,100)	8,385,061 2,985,635 547,741
271,272 (124,574)	313,711 (84,397)	846,721 (683,435)	5,255,940 (3,501,342)	4,499 (3,806)	69,655 (72,084)	8,349 (1,638)	13,810 (920)	98,666 (3,566)	11,918,437 (8,292,681)
146,698 (23,696)	229,314 (46,349)	163,286 50,805	1,754,598 (37,908)	693 396	(2,429) 13,652	6,711 (834)	12,890 (4,828)	95,100 (275)	3,625,756 302,526
123,002	182,965	214,091	1,716,690	1,089	11,223	5,877	8,062	94,825	3,928,282
442 280	558 767	1,825 10,343	16,949 38,294	23 9	102 230	13 45	39 (214)	14,195 1,356	73,039 217,287
722	1,325	12,168	55,243	32	332	58	(175)	15,551	290,326
123,724	184,290	226,259	1,771,933	1,121	11,555	5,935	7,887	110,376	4,218,608

Combining Power System Statement of Assets, Federal Investment, and Liabilities, by Project

September 30, 1995

(In thousands)

	Boulder Canyon Power System	Central Arizona Project	Central Valley Power System	Collbran Power System	Colorado River Power System	Dolores Power System	Falcon-Amistad Power System (IBWC)
ASSETS							
Utility plant:							
Completed plant	\$ 470,631	0	513,571	14,306	999,563	17,422	44,437
Accumulated depreciation	(133,496)	0	(221,821)	(4,049)	(274,349)	(694)	(11,444)
	337,135	0	291,750	10,257	725,214	16,728	32,993
Construction work-in-progress	22	2	46,899	147	43,917	10,938	0
	337,157	2	338,649	10,404	769,131	27,666	32,993
Net utility plant	337,157	2	338,649	10,404	769,131	27,666	32,993
Cash	35,025	6,000	64,317	252	67,142	1,856	17
Accounts receivable	6,841	7,674	69,581	0	16,135	0	278
Other assets	2,461	113	10,146	554	15,575	31	0
	381,484	13,789	482,693	11,210	867,983	29,553	33,288
Total assets	\$ 381,484	13,789	482,693	11,210	867,983	29,553	33,288
FEDERAL INVESTMENT AND LIABILITIES							
Federal Investment:							
Congressional appropriations	\$ 618,196	76	1,922,039	20,246	665,536	22,680	57,799
Interest on Federal investment	203,934	0	360,057	10,605	611,767	6,828	34,830
Transfer of property and services, net	(30,787)	36	298,780	7,149	24,364	546	365
	791,343	112	2,580,876	38,000	1,301,667	30,054	92,994
Gross Federal investment	791,343	112	2,580,876	38,000	1,301,667	30,054	92,994
Funds returned to U.S. Treasury	(594,247)	0	(2,276,837)	(28,146)	(661,285)	0	(59,270)
	197,096	112	304,039	9,854	640,382	30,054	33,724
Net outstanding Federal investment	197,096	112	304,039	9,854	640,382	30,054	33,724
Accumulated net revenues (deficit)	26,756	13,572	132,064	1,262	211,677	(502)	(436)
	223,852	13,684	436,103	11,116	852,059	29,552	33,288
Total Federal Investment	223,852	13,684	436,103	11,116	852,059	29,552	33,288
Commitments and contingencies							
Liabilities:							
Accounts payable	1,379	74	22,006	53	6,255	1	0
Other liabilities	156,253	31	24,584	41	9,669	0	0
	157,632	105	46,590	94	15,924	1	0
Total liabilities	157,632	105	46,590	94	15,924	1	0
Total Federal Investment and liabilities	\$ 381,484	13,789	482,693	11,210	867,983	29,553	33,288

See independent auditors' report.

Fryingpan- Arkansas Power System	Pacific Northwest- Pacific Southwest Intertie Project	Parker- Davis Power System	Pick-Sloan Missouri Basin Power System	Provo River Power System	Rio Grande Power System	Seedskaadee Power System	Washoe Power System	Other	Combined Total
149,440 (23,040)	60,958 (34,087)	279,316 (119,902)	2,307,252 (755,421)	1,515 (628)	12,422 (2,725)	7,269 (2,075)	8,822 (1,026)	2,005 (376)	4,888,929 (1,585,133)
126,400 55	26,871 118,217	159,414 28,927	1,551,831 111,705	887 0	9,697 927	5,194 115	7,796 0	1,629 630	3,303,796 362,501
126,455	145,088	188,341	1,663,536	887	10,624	5,309	7,796	2,259	3,666,297
762 1,249 36	14,568 586 4,474	20,653 6,060 11,795	49,869 33,386 38,464	78 33 82	542 0 190	1,663 0 0	175 140 20	78,736 1,273 15,376	341,655 143,236 99,317
128,502	164,716	226,849	1,785,255	1,080	11,356	6,972	8,131	97,644	4,250,505
149,008 99,406 12,714	220,215 77,232 (4,984)	678,894 131,957 (3,385)	3,488,416 1,225,710 375,441	3,140 702 256	44,213 15,690 8,100	2,280 3,849 3,127	9,502 3,658 37	107,152 358 (12,841)	8,009,392 2,786,583 678,918
261,128 (108,707)	292,463 (77,707)	807,466 (653,775)	5,089,567 (3,278,681)	4,098 (3,508)	68,003 (69,356)	9,256 (1,638)	13,197 (697)	94,669 (3,064)	11,474,893 (7,816,918)
152,421 (24,717)	214,756 (52,409)	153,691 60,268	1,810,886 (82,685)	590 452	(1,353) 12,487	7,618 (701)	12,500 (4,456)	91,605 (4,211)	3,657,975 288,421
127,704	162,347	213,959	1,728,201	1,042	11,134	6,917	8,044	87,394	3,946,396
572 226	997 1,372	1,717 11,173	6,328 50,726	30 8	18 204	8 47	17 70	7,485 2,765	46,940 257,169
798	2,369	12,890	57,054	38	222	55	87	10,250	304,109
128,502	164,716	226,849	1,785,255	1,080	11,356	6,972	8,131	97,644	4,250,505

Combining Power System Statement of Revenues, Expenses, and Accumulated Net Revenues (Deficit), by Project

Year Ended September 30, 1996

(In thousands)

	Boulder Canyon Power System	Central Arizona Project	Central Valley Power System	Collbran Power System	Colorado River Power System	Dolores Power System	Falcon-Amistad Power System (IBWC)
OPERATING REVENUES:							
Sales of electric power	\$ 45,158	82,069	144,738	1,798	117,144	2,920	3,220
Other operating income	10,890	949	16,241	25	13,084	0	(284)
Gross operating revenues	56,048	83,018	160,979	1,823	130,228	2,920	2,936
Income transfers, net	0	(87,485)	60	0	75	0	0
Total operating revenues	56,048	(4,467)	161,039	1,823	130,303	2,920	2,936
OPERATING EXPENSES:							
Operation and maintenance	27,939	863	32,394	839	35,865	414	806
Administration and general	4,551	455	8,486	24	7,677	12	113
Purchased power	3,662	0	112,019	0	676	0	0
Purchased transmission services	0	0	13,454	0	7,521	0	0
Depreciation	10,034	0	12,387	183	18,774	580	744
Total operating expenses	46,186	1,318	178,740	1,046	70,513	1,006	1,663
Net operating revenues (deficit)	\$ 9,862	(5,785)	(17,701)	777	59,790	1,914	1,273
INTEREST ON FEDERAL INVESTMENT:							
Interest on Federal investment	\$ 22,180	0	11,120	365	46,110	2,300	2,186
Allowance for funds used during construction	106	0	(4,703)	0	3,298	(2)	0
Net interest expense	22,286	0	6,417	365	49,408	2,298	2,186
Net revenues (deficit)	(12,424)	(5,785)	(24,118)	412	10,382	(384)	(913)
ACCUMULATED NET REVENUES (DEFICIT):							
Balance beginning of year	26,756	13,572	132,064	1,262	211,677	(502)	(436)
Balance end of year	\$ 14,332	7,787	107,946	1,674	222,059	(886)	(1,349)

See independent auditors' report.

ryingpan- Arkansas Power System	Pacific Northwest- Pacific Southwest Intertie Project	Parker- Davis Power System	Pick-Sloan Missouri Basin Power System	Provo River Power System	Rio Grande Power System	Seedskadee Power System	Washoe Power System	Other	Combined Total
13,758	0	11,197	250,559	279	2,728	1,172	187	0	676,927
568	6,741	18,942	55,129	6	2	45	0	498	122,836
14,326	6,741	30,139	305,688	285	2,730	1,217	187	498	799,763
0	0	100	263	0	0	0	0	(498)	(87,485)
14,326	6,741	30,239	305,951	285	2,730	1,217	187	0	712,278
2,720	(10,439)	16,713	98,540	185	1,348	381	115	(3,930)	204,753
272	780	4,981	17,830	29	21	14	0	0	45,245
409	0	277	12,011	82	0	0	0	0	129,136
2,710	0	0	6,244	0	0	0	0	0	29,929
2,633	1,695	5,158	42,796	26	196	147	84	0	95,437
8,744	(7,964)	27,129	177,421	322	1,565	542	199	(3,930)	504,500
5,582	14,705	3,110	128,530	(37)	1,165	675	(12)	3,930	207,778
3,746	16,729	12,734	93,051	19	0	808	360	(358)	211,350
815	(8,084)	(161)	(9,298)	0	0	0	0	352	(17,677)
4,561	8,645	12,573	83,753	19	0	808	360	(6)	193,673
1,021	6,060	(9,463)	44,777	(56)	1,165	(133)	(372)	3,936	14,105
(24,717)	(52,409)	60,268	(82,685)	452	12,487	(701)	(4,456)	(4,211)	288,421
(23,696)	(46,349)	50,805	(37,908)	396	13,652	(834)	(4,828)	(275)	302,526

Combining Power System Statement of Revenues, Expenses, and Accumulated Net Revenues (Deficit), by Project

Year Ended September 30, 1995

(In thousands)

	Boulder Canyon Power System	Central Arizona Project	Central Valley Power System	Collbran Power System	Colorado River Power System	Dolores Power System	Falcon-Amistad Power System (IBWC)
OPERATING REVENUES:							
Sales of electric power	\$ 50,447	87,602	209,120	1,894	112,901	1,841	3,331
Other operating income	2,583	1,233	12,820	24	9,146	0	0
Gross operating revenues	53,030	88,835	221,940	1,918	122,047	1,841	3,331
Income transfers, net	(161)	(83,432)	18	0	(14)	36	0
Total operating revenues	52,869	5,403	221,958	1,918	122,033	1,877	3,331
OPERATING EXPENSES:							
Operation and maintenance	23,916	673	32,568	951	35,381	331	812
Administration and general	4,684	512	9,237	24	8,257	17	3
Purchased power	46	0	125,616	0	14,476	0	0
Purchased transmission services	0	0	12,822	0	7,340	0	0
Depreciation	8,621	0	8,175	183	17,269	684	741
Total operating expenses	37,267	1,185	188,418	1,158	82,723	1,032	1,556
Net operating revenues (deficit)	15,602	4,218	33,540	760	39,310	845	1,775
INTEREST ON FEDERAL INVESTMENT:							
Interest on Federal investment	23,149	0	14,660	382	53,682	1,364	2,320
Allowance for funds used during construction	(9,237)	0	(6,164)	0	(10,497)	(24)	0
Net interest expense	13,912	0	8,496	382	43,185	1,340	2,320
Net revenues (deficit)	1,690	4,218	25,044	378	(3,875)	(495)	(545)
ACCUMULATED NET REVENUES (DEFICIT):							
Balance beginning of year	25,066	9,354	107,020	884	215,552	(7)	109
Balance end of year	\$ 26,756	13,572	132,064	1,262	211,677	(502)	(436)

See independent auditors' report.

Fryingpan- Arkansas Power System	Pacific Northwest- Pacific Southwest Intertie Project	Parker- Davis Power System	Pick-Sloan Missouri Basin Power System	Provo River Power System	Rio Grande Power System	Seedskaadee Power System	Washoe Power System	Other	Combined Total
13,046	0	14,271	194,448	198	2,927	1,340	153	0	693,519
(40)	5,532	17,864	52,426	15	3	85	0	1,965	103,656
13,006	5,532	32,135	246,874	213	2,930	1,425	153	1,965	797,175
0	0	31	84	0	0	0	0	(156)	(83,594)
13,006	5,532	32,166	246,958	213	2,930	1,425	153	1,809	713,581
2,761	1,261	14,435	97,211	151	1,319	489	155	154	212,568
289	628	6,062	18,373	51	24	15	6	82	48,264
0	0	1,191	32,522	0	0	0	0	0	173,851
2,636	0	0	5,060	0	0	0	0	0	27,858
1,946	1,732	5,366	39,556	19	200	148	79	43	84,762
7,632	3,621	27,054	192,722	221	1,543	652	240	279	547,303
5,374	1,911	5,112	54,236	(8)	1,387	773	(87)	1,530	166,278
4,723	6,774	7,360	27,736	30	(92)	598	286	59	143,031
(1)	(3,773)	2,051	29,448	0	157	0	0	(53)	1,907
4,722	3,001	9,411	57,184	30	65	598	286	6	144,938
652	(1,090)	(4,299)	(2,948)	(38)	1,322	175	(373)	1,524	21,340
(25,369)	(51,319)	64,567	(79,737)	490	11,165	(876)	(4,083)	(5,735)	267,081
(24,717)	(52,409)	60,268	(82,685)	452	12,487	(701)	(4,456)	(4,211)	288,421

Combining Power System Statement of Cash Flows, by Project

Year Ended September 30, 1996
(In thousands)

	Boulder Canyon Power System	Central Arizona Project	Central Valley Power System	Collbran Power System	Colorado River Power System	Dolores Power System	Falcon-Amistad Power System (IBWC)
Cash flows from operating activities:							
Net revenues (deficit)	\$ (12,424)	(5,785)	(24,118)	412	10,382	(384)	(913)
Adjustments to reconcile net revenues (deficit) to net cash provided by operating activities:							
Depreciation	10,034	0	12,387	183	18,774	580	744
Interest on Federal Investment	12,683	0	6,417	365	49,408	2,298	2,186
Write-on of recoverable asset	0	0	0	0	0	0	0
(Increase) decrease in assets:							
Accounts receivable	3,138	74	16,744	0	3,805	(6)	10
Other assets	(39)	56	759	40	2,989	26	0
Increase (decrease) in liabilities:							
Accounts payable	68	11	10,374	(38)	(1,440)	7	143
Other liabilities	(1,298)	2	(19,635)	48	1,857	26	124
Net cash provided by (used in) operating activities	12,162	(5,642)	2,928	1,010	85,775	2,547	2,294
Cash flows from investing activities –							
Investment in utility plant	(1,754)	2	(34,546)	(188)	2,431	(7,724)	(10)
Cash flows from financing activities:							
Congressional appropriations	(2,073)	0	116,232	799	(22,770)	5,718	1,393
Funds returned to U.S. Treasury	(15,151)	0	(84,897)	(1,799)	(92,000)	0	(3,287)
Customer advances	400	0	0	0	0	0	0
Principal payments to upraters	(2,263)	0	0	0	0	0	0
Net cash provided by (used in) financing activities	(19,087)	0	31,335	(1,000)	(114,770)	5,718	(1,894)
Increase (decrease) in cash	(8,679)	(5,640)	(283)	(178)	(26,564)	541	390
Cash at beginning of year	35,025	6,000	64,317	252	67,142	1,856	17
Cash at end of year	\$ 26,346	360	64,034	74	40,578	2,397	407

See independent auditors' report.

Fryingpan- Arkansas Power System	Pacific Northwest- Pacific Southwest Intertie Project	Parker- Davis Power System	Pick-Sloan Missouri Basin Power System	Provo River Power System	Rio Grande Power System	Seedskaadee Power System	Washoe Power System	Other	Combined Total
1,021	6,060	(9,463)	44,777	(56)	1,165	(133)	(372)	3,936	14,105
2,633	1,695	5,158	42,796	26	196	147	84	0	95,437
4,561	8,645	12,573	83,753	19	0	808	360	(6)	184,070
0	(13,052)	0	0	0	0	0	0	0	(13,052)
56	(12)	1,674	1,389	(14)	0	0	18	66	26,942
(29)	3,796	(2,352)	(3,816)	82	(15)	0	5	2,972	4,474
(130)	(439)	108	10,621	(7)	84	5	22	6,710	26,099
54	(605)	(830)	(12,432)	1	25	(2)	(284)	(1,409)	(34,358)
8,166	6,088	6,868	167,088	51	1,455	825	(167)	12,269	303,717
(137)	(10,254)	(9,311)	(38,544)	0	(396)	0	0	0	(100,431)
7,752	4,489	26,144	102,729	208	1,654	(1,715)	301	4,402	245,263
(15,867)	(6,690)	(29,660)	(222,661)	(298)	(2,728)	0	(223)	(502)	(475,763)
0	0	0	0	0	0	0	0	0	400
0	0	0	0	0	0	0	0	0	(2,263)
(8,115)	(2,201)	(3,516)	(119,932)	(90)	(1,074)	(1,715)	78	3,900	(232,363)
(86)	(6,367)	(5,959)	8,612	(39)	(15)	(890)	(89)	16,169	(29,077)
762	14,568	20,653	49,869	78	542	1,663	175	78,736	341,655
676	8,201	14,694	58,481	39	527	773	86	94,905	312,578

Combining Power System Statement of Cash Flows, by Project

Year Ended September 30, 1995
(In thousands)

	Boulder Canyon Power System	Central Arizona Project	Central Valley Power System	Collbran Power System	Colorado River Power System	Dolores Power System	Falcon-Amistat Power System (IBWC)
Cash flows from operating activities:							
Net revenues (deficit)	\$ 1,690	4,218	25,044	378	(3,875)	(495)	(545)
Adjustments to reconcile net revenues (deficit) to net cash provided by operating activities:							
Depreciation	8,621	0	8,175	183	17,269	684	741
Interest on Federal Investment	2,873	0	8,496	382	43,185	1,340	2,320
(Increase) decrease in assets:							
Accounts receivables	(433)	337	(15,562)	86	(5,825)	0	(278)
Other assets	(74)	105	(1,413)	181	1,852	(25)	0
Increase (decrease) in liabilities:							
Accounts payable	(2,062)	9	(4,999)	(35)	(2,517)	1	(1)
Other liabilities	1,079	(1,722)	(17,021)	(8)	5,683	0	0
Net cash provided by (used in) operating activities	11,694	2,947	2,720	1,167	55,772	1,505	2,237
Cash flows from investing activities —							
Investment in utility plant	(7,925)	(2)	(17,921)	(291)	(7,447)	0	0
Cash flows from financing activities:							
Congressional appropriations	7,850	0	18,137	926	(14,010)	346	756
Funds returned to U.S. Treasury	(5,146)	0	(78,380)	(1,894)	(40,000)	0	(2,995)
Customer advances	3,400	0	0	0	0	0	0
Principal payments to upraters	(4,892)	0	0	0	0	0	0
Net cash provided by (used in) financing activities	1,212	0	(60,243)	(968)	(54,010)	346	(2,239)
Increase (decrease) in cash	4,981	2,945	(75,444)	(92)	(5,685)	1,851	(2)
Cash at beginning of year	30,044	3,055	139,761	344	72,827	5	19
Cash at end of year	\$ 35,025	6,000	64,317	252	67,142	1,856	17

See independent auditors' report.

<i>Fryingpan- Arkansas Power System</i>	<i>Pacific Northwest- Pacific Southwest Intertie Project</i>	<i>Parker- Davis Power System</i>	<i>Pick-Sloan Missouri Basin Power System</i>	<i>Provo River Power System</i>	<i>Rio Grande Power System</i>	<i>Seedskadee Power System</i>	<i>Washoe Power System</i>	<i>Other</i>	<i>Combined Total</i>
652	(1,090)	(4,299)	(2,948)	(38)	1,322	175	(373)	1,524	21,340
1,946	1,732	5,366	39,556	19	200	148	79	43	84,762
4,722	3,001	9,411	57,184	30	65	598	286	6	133,899
736	(334)	(2,997)	(4,311)	(33)	0	0	(98)	337	(28,375)
(14)	4,484	616	3,280	0	(178)	4	2	(688)	8,132
211	(1,220)	(894)	(8,346)	(30)	(124)	2	15	(1,678)	(21,668)
(288)	372	3,144	26,232	(302)	120	1	(57)	(691)	16,542
7,965	6,945	10,347	110,647	(354)	1,405	928	(146)	(1,147)	214,632
(45)	(47,561)	(4,858)	(63,290)	0	(213)	0	0	0	(149,553)
5,437	9,156	24,186	174,492	488	1,822	(1,317)	89	15,937	244,295
(15,229)	(5,200)	(28,015)	(235,005)	(132)	(2,927)	0	0	(142)	(415,065)
0	0	0	0	0	0	0	0	0	3,400
0	0	0	0	0	0	0	0	0	(4,892)
(9,792)	3,956	(3,829)	(60,513)	356	(1,105)	(1,317)	89	15,795	(172,262)
(1,872)	(36,660)	1,660	(13,156)	2	87	(389)	(57)	14,648	(107,183)
2,634	51,228	18,993	63,025	76	455	2,052	232	64,088	448,838
762	14,568	20,653	49,869	78	542	1,663	175	78,736	341,655

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Stan Gliko UGP maintenance manager (Huron)	605-353-9200
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Jody Sundsted UGP financial manager	406-247-7417
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Jim Hartman RM environmental manager	970-490-7450
Bill Marsh RM safety and security manager	970-490-7449
Clark LeDoux RM administrative officer	970-490-7232
Ed Hulls RM operations manager	970-240-6204
Dale Algrim RM maintenance manager	970-490-7261
James Keselburg RM power marketing manager	970-490-7370
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Bruce Berg DSW maintenance manager	602-352-2440
Tony Montoya DSW power marketing manager	602-352-2789
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Howard Schumacher SN safety and security manager	916-353-4461
Howard Hirahara SN administrative officer	916-353-4524
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Tim Meeks SN maintenance manager	916-353-4014
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Carol Tafoya CRSP rate analysis lead	801-524-6380
Burt Hawkes CRSP customer service lead	801-524-3344
Jeff McCoy CRSP resource analysis lead	801-524-5399
Dave Taylor CRSP financial manager	801-524-5503

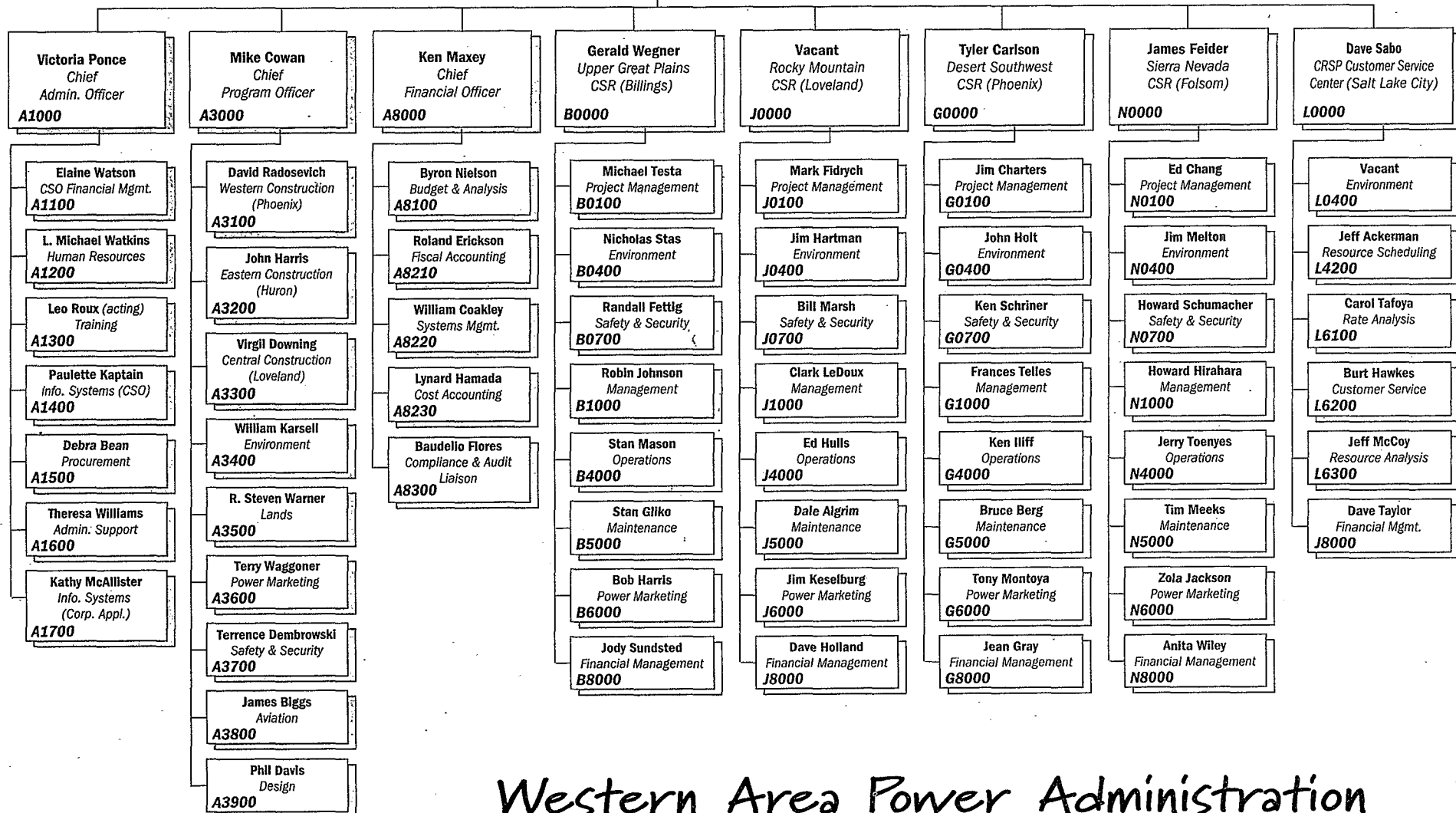
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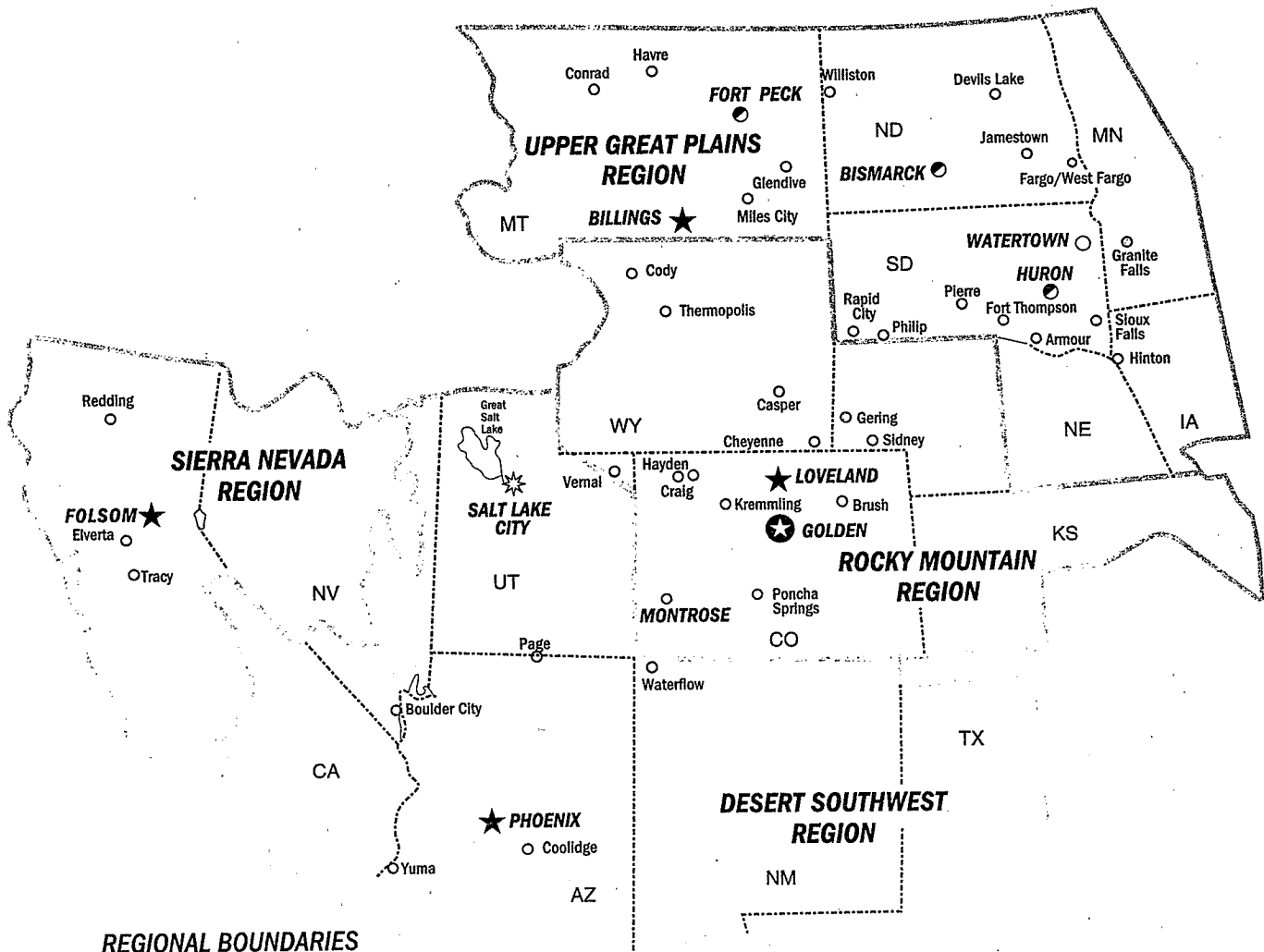
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Western Area Power Administration

Duty Locations



- REGIONAL BOUNDARIES
- ★ REGIONAL OFFICE
- ★ (in circle) CORPORATE SERVICES OFFICE
- ★ (in square) CUSTOMER SERVICE CENTER
(Serves Utah, New Mexico, and parts of Nevada, Colorado and Texas)
- MAINTENANCE OFFICE
- OPERATIONS OFFICE
- DUTY STATION



WESTERN AREA POWER
ADMINISTRATION

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